

**ONTARIO HEALTH EDUCATION COMPANY, INC.
dba AMERICAN CAREER COLLEGE**

OPE ID NO. 03971300

Financial Statements

For the Years Ended December 31, 2009 and 2008

with

Independent Auditors' Report

CONFIDENTIAL

ACC-0000131

American Career Colleges, Inc.
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**ONTARIO HEALTH EDUCATION COMPANY, INC.
dba AMERICAN CAREER COLLEGE**

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ONTARIO HEALTH EDUCATION COMPANY, INC.
dba AMERICAN CAREER COLLEGE
Statements of Income and Retained Earnings
For the Years Ended December 31, 2009 and 2008

	2009	2008
Revenues	\$ 18,409,577	\$ 10,040,552
Costs and expenses:		
Course materials, services and instruction	<small>Redacted by HELP Committe</small>	<small>Redacted by HELP Commi</small>
Selling and promotion	3,130,238	2,191,026
General and administrative	<small>Redacted by HELP Committe</small>	<small>Redacted by HELP Commi</small>
Facilities	<small>Redacted by HELP Co</small>	<small>Redacted by HELP Com</small>
Depreciation and amortization	<small>Redacted by HELP Co</small>	<small>Redacted by HELP Com</small>
Total costs and expenses	16,173,934	9,478,384
Income from operations	2,235,643	562,168
Other income (expense):		
Other income	<small>Redacted by HELP Co</small>	<small>Redacted by HELP C</small>
Interest expense	<small>Redacted by HELP Committe</small>	<small>Redacted by HELP Com</small>
Total other expense	<small>Redacted by HELP Committ</small>	<small>Redacted by HELP Com</small>
Income before provision for income taxes	2,010,115	528,375
Provision for income taxes	(47,919)	(22,236)
Net income	1,962,196	506,139
Retained earnings, beginning of year	<small>Redacted by HELP Commr</small>	<small>Redacted by HELP Cc</small>
Distributions to stockholder	(1,750,000)	(200,000)
Retained earnings, end of year	\$ <small>Redacted by HELP Corr</small>	\$ <small>Redacted by HELP Co</small>

See notes to financial statements

Redacted by HELP Committee

NOTE 6 – INCOME TAXES

The provision for income taxes has been computed based on current and estimated future income tax liabilities.

The stockholder of the Company has elected to operate the Company as a Subchapter S Corporation. As such, the income and expenses of the Company pass through directly to the stockholder and are reported on the individual income tax return. The Company is subject to a California franchise tax of 1.5% of taxable income. The provision for income taxes as shown on the accompanying statement of income and retained earnings consists entirely of current state income taxes. Deferred income taxes were not material as of December 31, 2009 and 2008.

Redacted by HELP Committee

NOTE 8 – RELATED PARTY TRANSACTIONS

During the years ended December 31, 2009 and 2008, the Company was charged management fees of \$2,421,514 and \$889,107, respectively, by an educational institution owned by the Company's stockholder. The management fees are reflected within general and administrative expenses in the accompanying statements of income and retained earnings.

During the years ended December 31, 2009 and 2008, the Company charged rent and other facility related expenses to educational institutions owned by the Company's stockholder of \$506,784 and \$506,757, respectively. These fees are reflected as a reduction of facilities expense in the accompanying statements of income and retained earnings.

As of December 31, 2009 and 2008, the Company leased its operating facilities from an entity which is owned by the Company's stockholder. Rent expense during the years ended December 31, 2009 and 2008, paid to the entity owned by the Company's stockholder was \$1,342,841 and \$498,267, respectively. This amount is included in the facility rent expense figures disclosed in Note 7.

The Company leases certain equipment under non-cancelable operating leases from an entity which is owned by the Company's stockholder. During the years ended December 31, 2009 and 2008, equipment rental expense paid to the entity owned by the Company's stockholder was \$34,049 and \$40,013, respectively. These amounts are included in the rent expense figure disclosed in Note 7.

The Company advances and receives funds to/from an educational institution owned by the Company's stockholder. No interest was charged or received on amounts received and advanced during the years ended December 31, 2009 and 2008. The amounts received as of December 31, 2009 were \$785,046 and the amounts advanced as of December 31, 2008 were \$25,000. There were no stipulated repayment provisions on these amounts advanced and received.

Redacted by HELP Committee

NOTE 10 – CONCENTRATION OF CREDIT RISK

At December 31, 2009 and 2008, the Company had deposits with banks in excess of the federally insured amount.

The Company participates in Government Student Financial Assistance Programs (Title IV) administered by the U.S. Department of Education (ED) for the payment of student tuitions. Substantial portions of the revenue and collection of ending accounts receivable as of December 31, 2009 and 2008 are dependent upon the Company's continued participation in the Title IV programs. Institutions participating in Title IV programs may not receive more than 90% of tuition collections (90/10 revenue test as defined in regulation) from Title IV sources in order to maintain eligibility for participation in such programs. For the years ended December 31, 2009 and 2008, the Company's tuition cash collections from Title IV programs were 82.9% and 86.8%. ED requires an institution to provide additional information with respect to its 90/10 revenue test. Reference is made to the accompanying supplementary information on page 11 with respect to additional disclosures required by ED.

Institutions participating in Title IV programs are also required by ED to demonstrate financial responsibility. ED determines an institution's financial responsibility through the calculation of a composite score based upon certain financial ratios as defined in regulations. Institutions receiving a composite score of 1.5 or greater are considered fully financially responsible. Institutions receiving a composite score between 1.0 and 1.4 are subject to additional monitoring and institutions receiving a score below 1.0 are required to submit financial guarantees in order to continue participation in the Title IV programs. As of December 31, 2009 and 2008, and for the years then ended, the Company's composite score was 1.6.

ONTARIO HEALTH EDUCATION COMPANY, INC.
dba AMERICAN CAREER COLLEGE
Supplementary Information
(Information Required by the U.S. Department of Education)
December 31, 2009 and 2008

Institution's Calculation of 90/10 Revenue Test

Ontario Health Education Company, Inc. (the Institution) derives a substantial portion of its revenues from Student Financial Aid (SFA) received by its students under the Title IV programs administered by the U.S. Department of Education pursuant to the Higher Education Act of 1965, as amended (HEA). To continue to participate in the SFA programs the Institution must comply with the regulations promulgated under HEA. The regulations restrict the proportion of cash receipts for tuition and fees from eligible programs to not more than 90 percent from the Title IV programs. In July 2008, modifications to the regulations were made with respect to amounts to be included in the 90 percent calculations including temporary provisions related to certain Title IV funds received and institutional loans made to students. The modifications also allow for the inclusion of funds received for certain qualifying non-Title IV programs. In addition, the modifications included provisions for institutions that do not comply with the 90 percent rule for a single fiscal year, whereby such institutions would be placed on provisional certification status for a period of two years. Institutions that do not comply with the 90 percent rule for two consecutive fiscal years are subject to the loss of their ability to participate in the SFA programs.

In October 2009, HEA amended the regulations with respect to the disclosure requirements to the 90 percent calculations and allowed institutions to implement the new and amended provisions. The amended provisions require an institution to disclose the dollar amount of the numerator and denominator of its 90 percent calculation as well as the individual revenue amounts by fund source received by the Institution.

For the year ended December 31, 2009, the Institution's 90/10 revenue test percentages were computed as follows:

Revenue by Source

Adjusted Student Title IV Revenue:	
Subsidized Loan	\$ 4,247,306
Unsubsidized Loan up to pre-ECASLA Loan Limits	4,209,486
Plus Loan	655,017
Federal Pell Grant	4,996,124
FSEOG	<u>70,840</u>
Student Title IV Revenue	14,178,773
Revenue Adjustment	<u>(22,121)</u>
Adjusted Student Title IV Revenue	<u>\$ 14,156,652</u>

Student Non-Title IV Revenue:

Grant funds for the student from non-Federal public agencies or private sources independent of the institution	\$ 34,851	
Funds provided for the student under a contractual arrangement with a Federal, State, or local government agency for the purpose of providing job training	145,904	
Amount of Unsubsidized Loan Over the pre-ECASLA Loan Limits	1,497,538	
Student payments	<u>1,239,335</u>	
Student Non-Title IV Revenue	2,917,628	
Revenue Adjustment	<u>(5,435)</u>	
Adjusted Student Non-Title IV Revenue	<u>\$ 2,912,193</u>	
Adjusted Student Title IV Revenue	<u>\$14,156,652</u>	82.9%
Adjusted Student Title IV Revenue + Adjusted Student Non-Title IV Revenue	\$17,068,845	

For the year ended December 31, 2008, the Institution's 90/10 revenue test percentages were computed as follows:

Title IV funds received	\$ 9,418,018
Total eligible cash receipts	\$ 10,852,809
Percentage Title IV	86.8%

This information is required by the U.S. Department of Education and is presented for purposes of additional analysis and is not a required part of the financial statements.

Related Party Transactions

Ontario Health Education Company, Inc. dba American Career College (the Institution) participates in Student Financial Aid (SFA) under the Title IV programs administered by the U.S. Department of Education (ED) pursuant to the Higher Education Act of 1965, as amended (HEA). The Institution must comply with the regulations promulgated under HEA. Those regulations require that all related party transactions be disclosed, regardless of their materiality to the financial statements.

Ontario Health Education Company, Inc. dba American Career College (the Institution) is a California corporation. The Institution was previously a California limited liability company. Effective January 22, 2008, the Institution's sole member elected to convert the limited liability company into a California stock corporation. At the time of conversion, the Institution had member's equity of \$1,900,000 and an accumulated deficit of \$502,762, for total member's equity of \$1,397,238.

The Institution operates a private career school with its campus in Ontario, California; the campus was relocated from Norco, California during the year ended December 31, 2008. The Institution provides career training for health related professions.

Distributions to Stockholder – During the years ended December 31, 2009 and 2008, the Institution paid distributions to its stockholder of \$1,750,000 and \$200,000, respectively.

Facility lease guarantee - The Institution leases its Norco operating facility under the terms of non-cancelable operating lease agreements expiring at various times through February 2009. One of the leases is guaranteed by the Institution's stockholder, as well as a related educational institution owned by the Institution's stockholder.

Management fees - During the years ended December 31, 2009 and 2008, the Institution was charged management fees of \$2,421,514 and \$889,107, respectively, by an educational institution owned by the Institution's stockholder. The management fees are reflected within general and administrative expenses in the accompanying statements of income and retained earnings.

Facility leases - As of December 31, 2009 and 2008, the Institution leased its operating facilities from an entity which is owned by the Institution's stockholder. Rent expense during the years ended December 31, 2009 and 2008, paid to the entity owned by the Company's stockholder was \$1,342,841 and \$498,267, respectively. This amount is included in the facility rent expense figures disclosed in Note 7.

Equipment leases - The Institution leases certain equipment under non-cancelable operating leases from an entity which is owned by the Institution's stockholder. During the years December 31, 2009 and 2008, equipment rental expense paid to the entity owned by the Institution's stockholder was \$34,049 and \$40,013, respectively. These amounts are included in the rent expense figure disclosed in Note 7.

Facilities expenses - During the years ended December 31, 2009 and 2008, the Institution charged rent and other facility related expenses to educational institutions owned by the Institution's stockholder of \$506,784 and \$506,757, respectively. These fees are reflected as a reduction of facilities expense in the accompanying statements of income and retained earnings.

Due from affiliate - The Institution advances and receives funds to/from an educational institution owned by the Institution's stockholder. No interest was charged or received on amounts received and advanced during the years ended December 31, 2009 and 2008. The Amounts received as of December 31, 2009 were \$785,046 and the amounts advanced as of December 31, 2008 were \$25,000. There were no stipulated repayment provisions on these amounts advanced and received.

Guarantor of bank debt - The Institution serves as a co-guarantor on \$19,359,141 of bank debt of other educational corporations owned by the Institution's stockholder.

This information is required by the U.S. Department of Education and is presented for purposes of additional analysis and is not a required part of the financial statements.