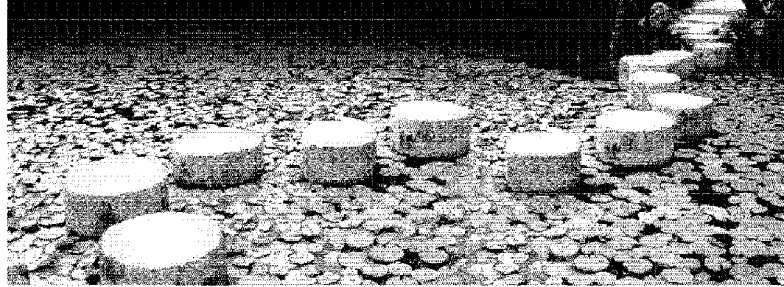


Excerpts, selected by the HELP Committee, from a larger document
produced by the company



Alta Colleges, Inc.

Board of Directors Appendix

August 20, 2009

APPENDIX



PHOTO COURTESY OF WESTWOOD COLLEGE



WP000000439



August 20, 2009 Board Agenda – Appendix

- I. **Consolidated Financial Results – Quarter ended June 30**
 - A. Consolidating income statement
 - B. By Division, versus year-earlier quarter:
 - 1. Westwood On-Ground
 - 2. Westwood Online
 - 3. Redstone
- II. **Redacted by HELP Committee**
- III. **Supplemental Balance Sheet Data**
- IV. **Cohort Default Rates**
- V. **Shareholders at June 20, 2009**

IV. Cohort Default Rates – Executive Summary

- » **Cohort Default Rate management has significantly increased in importance**
 - Regardless of regulatory impacts, low cohort default rates are now a proxy for an institution's overall quality in the investment and banking community
 - Changes in regulations have created challenges to default management

- » **Prior default rate management was focused on identifying students who were behind on their payments and working with them to get a forbearance**
 - Typically, one successful contact and forbearance request was all that was necessary to exclude the student from the default rate calculation

- » **New strategy will pursue a more integrated approach to default management that does not wait until the student is in trouble. We will continue to reach out to delinquent students but the strategy will also emphasize**
 - Increased education of the student on their payment obligations while they are in school
 - Establishing the default team as a resource to the student that can help them stay out of trouble
 - Focus on establishing affordable monthly payments before trouble begins
 - Additional technology and collateral to improve contact rates with out of school students

IV. CDR – An Overview

- » **Cohort Default Rate (CDR) is measured by the Dept. of Education and reflects the percentage of an institution’s Title IV student loans that defaulted during a specific measurement period**
 - In the past, defaults were measured for a 2 year period after the student left school, whereas starting in 2009 this has been extended one year:

| Date Left School | Beginning of Loan Repayment Period | Default Measurement Period | Default Threshold |
|--------------------------|------------------------------------|----------------------------|-------------------|
| 2008 (Old Rules): | | | |
| Apr 2007-Mar 2008 | Oct 2007-Sept 2008 | Oct 2007-Sept 2009 | 25% |
| 2009 (New Rules): | | | |
| Apr 2008-Mar 2009 | Oct 2008-Sept 2009 | Oct 2008-Sept 2011 | 30% |

- » **Institution’s eligibility to participate in Title IV is subject to the levels of their CDR**
 - New rates do not effect institutional eligibility until October 2013 and sanctions do not involve automatic loss of eligibility.
- » **CDR has become an institutional quality proxy for the investor and banking community**
 - Schools below 10% on the old rules are considered “Good Schools With Good Programs”

IV. CDR – Alta Historical Cohort Default Rates

| School (Branch) | Actual as of June 30 | | | | |
|--------------------------|----------------------|--------|--------|-------------|--------|
| | Cohort Year | | | Cohort Year | |
| | 2005 | 2006 | 2007 | 2008 | 2007 |
| DNN (WOL, DNS, LAA, LAI) | 9.97% | 9.40% | 12.10% | 5.82% | 6.71% |
| DNX | 6.90% | 7.90% | 6.50% | 5.54% | 3.38% |
| LAW (CHR, CHL) | 9.20% | 9.20% | 11.80% | 8.33% | 10.63% |
| LALB(VAB, VAA) | 2.90% | 4.40% | 11.50% | 7.56% | 5.93% |
| CHOA(DLD, ATL) | 11.88% | 16.00% | 12.90% | 7.21% | 10.90% |
| CHD (DLF, ATM) | 16.89% | 17.90% | 17.50% | 6.76% | 11.07% |

- Default on a Stafford loan results when the loan is more than 270 days past due.

IV. CDR – Historical Approach to Default Management

- 91 The historical approach to default management was to reach out to students that had gotten behind in their student loan payments and work with them to apply for a forbearance or deferment
- Given the timelines involved in the 2 year measurement period, one successful contact and application for forbearance or deferment was typically all that was required to keep the student out of the final cohort default measurement
 - Accordingly, the operational approach focused on early identification of students that weren't paying their loans by working with the guarantee agencies and numerous contact attempts and approaches with these students to assist them in forbearances and deferments
 - Given that the vast majority of these students were drops, rather than graduates, the operational challenge was simply getting the student to engage with us

IV. CDR – Deferments and Forbearances

Common Deferments and Forbearances

| | Eligibility | Length |
|------------------------------------|--|-------------------------------------|
| Unemployment Deferment | Working < 30 hrs. per week and eligible for unemployment or registered for work with agency | 6 months |
| Economic Hardship Deferment | Receives nontaxable income from entitlement programs (i.e. Aid to Families with Dep. Children, Food Stamps, etc) or Peace Core Volunteer | 12 months (maximum of 3 deferments) |
| Military Deferment | Active duty during war, national emergency or military operation | Varies but unlimited |
| Forbearance Request | Personal financial reasons | 1-12 months |

- » Pursuing deferments and forbearances was a very efficient and effective default strategy when the measurement period was only 2 years as typically only one Deferment or Forbearance request was required to remove the student from the measurement period.
 - Forbearance suspends or reduces payments, students receive quarterly interest statements and have the option to pay the accrued interest or let the interest capitalize
 - Under deferment, interest on subsidized Stafford loans does not accrue

IV. CDR – 2010 Strategy for CDR Management

- » **Increase the likelihood that students will respond to the CDR team:**
 - Name change and branding of the CDR team to reflect them more as student advocates and counselors, not an arm of the school and definitely not debt collectors
 - Engage in default prevention education and prevention throughout a student's career, not after they leave school and start missing payments
 - Drops will continue to be the key to successful default management and we must focus on increasing the likelihood that they will respond to us or their lender once they leave school

- » **Broaden the default cure approach to become less reliant on waivers and forbearances**
 - New income based repayment plans will be a major focus to create manageable monthly payments for the student. This program is a major benefit to student loan payment management for students.

- » **Continue to evolve and improve out-of-school processes and technology to increase contact success (See page 19)**



IV. CDR – Branding the CDR Team

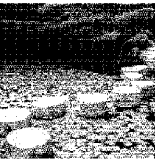
- » **“New” CDR team needs to have a public image to the student and be introduced to the student long before they leave school**

- » **Image must be one of student advocates and experts at dealing with lenders to obtain positive outcomes for students**

- » **Potential Names**
 - Student Loan Advocates
 - Student Loan Resolutions Team
 - Student Loan Solutions Team
 - Student Loan Management Specialists
 - Student Loan Management Center

- » **“New” CDR team will be the official sponsor of all on-campus education activities and related promotional materials**

- » **“New” CDR team will be identified in all marketing collateral that includes financial aid topics**



IV. CDR – Default Prevention as a Core Component of a Student’s Lifecycle

- » **Enhanced loan education for students beyond required entrance counseling**
 - required workshops
 - embed in curriculum
 - built in to portal as requirement to package/repackage
 - campus posters
 - educate on the way the loans work, the negative consequences of default and ways to postpone/manage payments

- » **Introduce students to the newly branded team at the beginning of their education and throughout their stay, with a goal of developing a non-threatening relationship and contacts to increase engagement with the student once they leave school**

- » **Include general message in all FA materials and develop stand alone collateral for CDR team**

- » **Involve other campus functions (CDS and Academics) in overall effort**

IV. CDR – Key Tactical Improvements for 2010

- » **Text messaging capability to / from borrowers**
- » **CDR Team Link on Website**
 - Information on department and how we can help
 - Links to download deferment/forbearance forms
- » **Utilization of Classmates.com / Twitter and other social media to locate and communicate with former students**
- » **Raffles for Out of School Students**
- » **Creative Letter Campaigns**
- » **Campus “Drop” Package Requirement**
- » **Develop additional productivity measurements for the CDR team**
- » **Increased collateral**

IV. CDR – Ongoing Education

What is the best way to deliver this message to our students?

| | Pros | Cons |
|----------------------------|--|---|
| Workshops | <ul style="list-style-type: none"> • Quick deployment • Not disruptive to core education • Relatively low cost if responsibility left to the campus | <ul style="list-style-type: none"> • Does not assure consistent level of student or campus engagement across the system • Both online and on ground versions would have to be developed • Would require addition of regional resources to assure deployment and consistent content |
| FA Portal | <ul style="list-style-type: none"> • Quick deployment • Not disruptive to core education • Relatively low cost • Consistent content, proof of delivery • Multiple deliveries (every AY) | <ul style="list-style-type: none"> • Portal already bombards student with information-not likely to register • FA packaging is time consuming and complex enough as is |
| Embed in curriculum | <ul style="list-style-type: none"> • More extensive messaging • Consistent content, proof of delivery • Higher comprehension | <ul style="list-style-type: none"> • Longer deployment • Potentially disruptive to education |