Concorde Career Colleges, Inc.

Accountants' Reports and Consolidated Financial Statements

December 31, 2009 and 2008

BKD LLP
CPAs & Advisors

Concorde Career Colleges, Inc.

Notes to Consolidated Financial Statements

December 31, 2009 and 2008

Note 1: Business and Summary of Significant Accounting Policies

Background

Concorde Career Colleges, Inc. (the Company) owns and operates proprietary, postsecondary institutions that offer career vocational training programs primarily in the allied health field. The Company serves the segment of population seeking to acquire a career-oriented education. As of December 31, 2009, the Company operated Campuses at 13 locations in seven states and, in 2010, has obtained a certificate of occupancy for two additional locations in Texas that will begin operations during the summer of 2010.

On June 21, 2006, the Company announced it had entered into a definitive Agreement and Plan of Merger (the "Merger Agreement") with Liberty Partners Holdings 28, LLC (an affiliate of Liberty Partners), a private equity firm based in New York City. The merger became effective September 1, 2006. Under the Merger Agreement, Concorde became a wholly owned subsidiary of the Liberty affiliate, and each share of issued and outstanding common stock of Concorde was converted into cash.

In May 2008, the Company implemented a plan of recapitalization. Under the recapitalization, the Company cancelled all shares of existing common stock ("Old Common Stock") and each holder of the Old Common Stock was automatically issued One-Tenth (1/10th) of a share of new Class A (Voting) Common Stock and Nine-Tenths (9/10th) of a share of new Class B (Non-voting) Common Stock. The recapitalization resulted in 100,000 and 900,000 shares of Class A (Voting) and Class B (Non-voting) Common Stock issued and outstanding. A total of 200,000 shares of Class A (Voting) Common Stock and 1,800,000 shares Class B (Non-voting) Common Stock were authorized.

Also in May 2008, Liberty Partners Holdings 28, LLC sold 882,000 of the Company's Class B stock to Liberty Investment IIC, LLC, an affiliate that is 100% controlled by Liberty Partners LP.

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Student Financial Aid

Most students enrolled at the Company's campuses utilize state and federal government grants and/or guaranteed student loan programs to finance their tuition. During the years ended December 31, 2009 and 2008, 84% and 83%, respectively, of its cash receipts were derived from funds obtained by students through federal Title IV student aid programs and 16% and 17%, respectively, were derived from state sponsored student education and training programs and cash received from students and other sources.

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Advertising Costs

The Company expenses advertising costs as they occur. Advertising expense, which is included in selling and promotional expenses, was approximately $13,022,000 and $13,187,000 for the years ended December 31, 2009 and 2008, respectively.

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Note 13: Other Related Party Transactions

At December 31, 2009 and 2008, the Company had accounts receivable from YTI (an affiliate) related to advertising costs in the amount of $215,000 and $390,000, respectively. The Company also had a payable to this affiliate for salary costs of $51,000 and $60,000 at December 31, 2009 and 2008, respectively.

During the years ended December 31, 2009 and 2008, the Company paid management fees of $240,000 to Liberty Partners.

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Note 15: Department of Education Matters

The Company maintains letters of credit (LOCs) totaling approximately $822,000, which expire August 31, 2011. The LOC was required by the U.S. Department of Education (USDOE) to secure refunds for current or former students to provide for teach-out of students enrolled in case of Institution closure and to pay liabilities arising from acts of omissions by the Institution, if needed.

The Company assessed each campus' compliance with the 90/10 regulatory provisions for the years ended December 31, 2009 and 2008. These provisions state that the percentage of cash revenue derived by federal Title IV student assistance program funds cannot exceed 90% of total cash revenues. This is commonly referred to as the 90/10 Rule that was modified as part of legislation extending the Higher Education Opportunity Act of 1965, as amended. The Company's 90/10 percentages ranged between 76.2% and 89.4% for the year ended December 31, 2009 and 71.3% and 89.9% for the year ended December 31, 2008.

The Ensuring Continued Access to Student Loans Act of 2008 increased the maximum Unsubsidized Stafford Loan limits by up to $2,000 per award year. This increase would have artificially increased 90/10 percentages calculated. The USDOE enacted changes to the method of calculating allowable percentages under the 90/10 Rule pursuant to an August 14, 2008 amendment to the Higher Education Opportunity Act. This change allowed other sources of revenue to count toward the 10 percent requirement after applying the presumption that Title IV funds are used to pay the student's institutional charges. The Company utilized these changes to calculate 90/10 Rule compliance at four campuses in 2009 and two campuses in 2008.

The following table sets forth the 90/10 percentages for the year ended December 31, 2009:

	Cash Collected 2009 Title IV vs. Non-Title IV				
	Title IV	Non-Title IV		%	%
Campus	90% Cash	10% Cash	Total Cash	90	10
San Diego, CA	$ 8,088,241	$ 1,842,229	$ 9,930,470	81.4%	18.6%
Kansas City, MO	10,783,144	1,504,607	12,287,751	87.8%	12.2%
North Hollywood, CA	10,150,490	3,164,930	13,315,420	76.2%	23.8%
Denver, CO	9,235,695	2,464,545	11,700,240	78.9%	21.1%
Memphis, TN	13,917,182	1,750,787	15,667,969	88.8%	11.2%
Tampa, FL	6,327,740	1,003,359	7,331,099	86.3%	13.7%
Jacksonville, FL	10,125,826	1,200,093	11,325,919	89.4%	10.6%
San Bernardino, CA	12,707,459	2,241,625	14,949,084	85.0%	15.0%
Miramar, FL	5,583,084	708,354	6,291,438	88.7%	11.3%
Garden Grove, CA	11,014,428	2,791,837	13,806,265	79.8%	20.2%
Portland, OR	9,878,179	2,542,703	12,420,882	79.5%	20.5%
Arlington, TX	11,734,545	1,797,079	13,531,624	86.7%	13.3%
Consolidated	$ 119,546,013	$ 23,012,148	$ 142,558,161	83.9%	16.1%

The following table sets forth the 90/10 percentages for the year ended December 31, 2008:

	Cash Collected 2008 Title IV vs. Non-Title IV				
Campus	Title IV 90% Cash	Non-Title IV 10% Cash	Total Cash	% 90	% 10
San Diego, CA	$ 9,054,634	$ 1,241,930	$ 10,296,564	87.9%	12.1%
Kansas City, MO	8,541,202	983,817	9,525,019	89.7%	10.3%
North Hollywood, CA	7,848,350	2,558,305	10,406,655	75.4%	24.6%
Denver, CO	9,244,189	3,717,413	12,961,602	71.3%	28.7%
Memphis, TN	11,966,551	1,337,679	13,304,230	89.9%	10.1%
Tampa, FL	5,597,442	707,566	6,305,008	88.8%	11.2%
Jacksonville, FL	7,414,199	1,137,595	8,551,794	86.7%	13.3%
San Bernardino, CA	12,116,722	2,461,728	14,578,450	83.1%	16.9%
Miramar, FL	4,122,301	502,551	4,624,852	89.1%	10.9%
Garden Grove, CA	8,962,158	2,700,719	11,662,877	76.8%	23.2%
Portland, OR	7,230,449	2,072,042	9,302,491	77.7%	22.3%
Arlington, TX	11,235,476	2,082,502	13,317,978	84.4%	15.6%
Consolidated	$ 103,333,673	$ 21,503,847	$ 124,837,520	82.8%	17.2%

As a result of the acquisition of the Company, effective September 1, 2006, the Company's net tangible worth significantly decreased due to the amount of goodwill generated from the acquisition. Due to this decrease in net tangible worth, the USDOE determined, at December 31, 2008, that the Company did not meet certain standards of financial responsibility in accordance with 34 CFR 668.15.

USDOE allowed the Company to continue to participate in Title IV programs under the Provisional Certification Alternative. Under this alternative, the Company was required to post a letter of credit through August 31, 2011 *(see Note 4)* and to be provisionally certified for a period of up to three complete award years through September 30, 2012.

As of December 31, 2009, the Company's management believes it has now met the USDOE's standards of financial responsibility in accordance with 34 CFR 668.15.

Federal Student Financial Aid expenditures are subject to future audit by the USDOE. The Company's management believes the Federal Student Financial Aid Programs have been managed appropriately and does not anticipate any material adjustments resulting from future audits. Due to the complex nature of the USDOE regulations, the ultimate impact of future audits on the Company's financial statements could vary materially.

Note 16: Subsequent Events

Subsequent events have been evaluated through March 26, 2010, which is the date the financial statements were issued.

Concorde Career Colleges, Inc.

Schedule of Findings and Responses

December 31, 2009

Reference Number	Finding
09-1	**Criteria or Specific Requirement** – The Company is required to maintain internal controls over the Federal Student Financial Aid process and is required to ensure the accuracy of data and processes including accurate and timely refunds. **Condition** – Several of the Company's campuses had late or inaccurate refunds related to the 2008 calendar year that were noted through external and internal compliance audits completed during 2009. **Context** – The Company performed internal and external audits of the Federal Student Financial Aid processes, files and refund calculations. **Effect** –The Company was required to refund approximately $500,000 of federal funds to the U.S. Department of Education (USDOE) during 2009 for corrections of errors that occurred in 2008. **Cause** – Inaccurate or incomplete files and errors in calculation of refunds. **Recommendation** – The Company should revise and monitor its Title IV refund calculations to ensure that Title IV funds are refunded accurately and timely. **Views of Responsible Officials and Planned Corrective Actions** – The Company has hired a new National Director of Financial Aid in late 2008, hired additional corporate financial aid staff and implemented additional review and training processes and hired new staff at selective campuses.

Concorde Career Colleges, Inc.
Summary Schedule of Prior Audit Findings
December 31, 2009

Reference Number	Summary of Prior Findings	Status
08-1	**Criteria or Specific Requirement** – The Company is required to maintain certain financial responsibility standards in accordance with the regulations at 34 CFR 668.15. **Condition** – The Company did not meet the U.S. Department of Education's (USDOE) standards of financial responsibility as of December 31, 2009. **Context** – The Company has not met the financial responsibility standards of the USDOE, due to the Company maintaining a negative tangible net worth. **Effect** – The USDOE has allowed the Company to continue to participate in the Title IV programs under the Provisional Certification Alternative. Under this alternative, the Company was required to post a letter of credit totaling $11,118,000 through August 31, 2011 and to be provisionally certified for a period of up to three complete award years. **Cause** – As a result of the acquisition of the Company, effective September 1, 2006, the Company's net tangible worth significantly decreased due to the amount of goodwill generated by the acquisition. **Recommendation** – The Company should continue to monitor its progress in meeting USDOE's standards of financial responsibility. **Views of Responsible Officials and Planned Corrective Actions** – The Company monitors the progress of meeting USDOE's standards of financial responsibility on a monthly basis.	Resolved