

MEMORANDUM

TO: CAMPUS PRESIDENTS
DIRECTORS OF ADMISSIONS

CC: JERRY BARNETT, REID ALLISON, Redacted by HELP Committee
MIKE LANOUILLE, Redacted by HELP Committee, Redacted by HELP Committee
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FROM: JACK FORREST

DATE: JULY 14, 2008

SUBJECT: TUITION PRICING CHANGES

Introductory Remarks/Background of the Decision

As you are all aware, Congress recently increased the amount of unsubsidized loans available to qualifying students by \$ 2,000 per academic year. Also, the scheduled increase in the annual amount of Pell Grants available to qualifying students in the amount of \$ 421 took effect on July 1, 2008.

You are undoubtedly also aware, that Congress has NOT yet passed a Higher Education Act Re-authorization bill. (For those of you who may not have been following the "progress" of the HEA bill, the Senate and the House have each passed a version of the bill, but there are differences between the bills so a "conference committee" is required to resolve the differences before a version of the final bill can be passed by both houses and sent to the President for signature.) Accordingly, it is not yet possible for us to tell what 90/10 relief, IF ANY, we will receive. If no bill is forthcoming, then we will continue to be subject to the current rules.

When Congress was considering increasing the annual loan limits Jerry and I (and others) were very active in making the Congresspersons aware that, absent some 90/10 relief, we would be **forced** to raise tuition by the amount of the increase plus at least 10% (exactly 10% would assume that we collect every penny, which in reality won't happen). We met with Senators and Representatives and presented our arguments both orally and in written form. They are aware. Nonetheless, politics being politics, we do not yet have a bill.

Accordingly, after substantial discussions over the last few weeks, the Board of Directors has (VERY reluctantly) determined to proceed with a two stage tuition increase (it is our hope that the second tuition increase will be made unnecessary by the passage of a HEA Re-authorization bill that will provide some 90/10 relief). The first stage, which will take effect with all enrollments for the August start which are signed by the student on or after July 21, 2008, will raise tuition to approximately the amount of TIV funds that a full-time, Zero EFC (full Pell) student would be entitled to receive. The Board is aware that

this will expose the Company to a significant risk of failing to meet 90/10. We are accepting this risk in the hope that the HEA Re-authorization will be enacted in September and will provide some 90/10 relief. (Note: We are following the discussions taking place in the conference committee closely and receiving feedback from a number of sources on those discussions). There will be some form of relief, IF a bill is passed. If not, then there is a very difficult period ahead not just for our Company, but for the entire industry.

The August Start Tuition Price Adjustment

The tuition prices set forth below are effective for all applications signed on or after July 21, 2008 for August or later scheduled start dates and will remain in effect until the following dates:

For Diploma Programs---until September 15, 2008

For Degree Programs-----until October 20, 2008

After these dates: the Second Round Price Adjustments will be in effect.

Effective July 21 for all scheduled start dates of August or later, the following are the tuition prices (note that the tuition price shown below DOES NOT include the application fee of \$ 50.00):

Diploma Programs (8/9 month)	\$ 14,000
Diploma Programs-MA MAX (12 months)	\$ 20,900
Diploma 12 months (ET)	\$ 19,000,
Cosmetology	\$ 21,500
Bachelor Programs (18 months)	\$ 33,900
Associate Programs (24 months)	\$ 39,900
(Associate includes Culinary)	

Closing Comments

We have not had a tuition price increase in any programs since January 1, 2007. I recognize that these price increases are very substantial. We do not make them by choice. **None of us WANT to raise prices in these large increments.** We have made that clear to members of Congress.

We have quite literally begged Congress to provide relief from 90/10 so we could avoid raising prices. We have made numerous trips to explain in person how the 90/10 Rule hurts students. We have provided long written explanations, we have provided brief "bullet point" explanations, we have e-mailed, called and made political contributions to gain access to just a few minutes of the decision-makers' time. CCA has (finally) begun lobbying hard on this issue (as of late Spring). Numerous other school companies, accrediting agencies/councils and others are involved in trying to obtain relief.

To date none of this has resulted in a new HEA bill that provides relief, but it has not been entirely without gain. At least there is meaningful consideration of some form of relief (from among the several forms proposed) and if there is an HEA bill, as we hope there will be soon, then some relief is likely. It is our sincere hope that this will enable us to avoid a Second Round of tuition price increases and perhaps, just perhaps, to “roll-back” some of the current price increases.

In the meantime, while I know this will make things harder on our students (the point we have been making to Congress) and harder on our overall recruiting effort, we are where we are and have no choice but to enact the current price increases. We are taking a substantial risk by deferring the tuition increases as long as we have in the hopes that an HEA bill will emerge and become law, hopefully enabling us to reconsider/reduce the level of price increases required.

It is important, I think, that we not just give our Admissions Representatives the price list, but have a conversation explaining WHY we are making these unwanted adjustments at this time. I believe that when people are being asked to do something they would rather not do, understanding WHY makes it easier for them to accept the necessity of the change and to adapt to the change and perform their jobs with a positive attitude.