

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



CEO Report

Michael Locke

Not a Problem of Lead Flow but a Changing Student Buying Dynamic

Old World

- ❑ Limited competition
- ❑ Position against community college based on convenience
- ❑ TV and direct mail leads
- ❑ Recruitment process centered off face-to-face meeting
- ❑ Deciding whether to go to school
- ❑ 25-44 year old women

The Current and Future

- ✓ Significant competition
- ✓ Position against another for-profit college based on quality and programs
- ✓ Internet leads
- ✓ Significant amount of phone based work
- ✓ Shopping schools against each other
- ✓ High school, men and 25-44 year old women

Historical Admission Representative Model

- “Wholesome and Trustworthy” customer service profile
- Limited experience / early 20s
- Modest compensation
 - \$30,000 - \$35,000
 - Once a year raise
- Enormous ROI
 - Ramp in one quarter
 - Payback in quarter two
 - Bring in 100 starts a year @ \$10,000 a year in tuition
- Sold institution and only needed shallow programmatic knowledge

This Rep Profile Doesn't Work in Changing Market So Lots of Turnover

Calendar Quarter	Lost "Reps"	Avg # "Reps"	Annualized Turnover
Q2	5	72	28%
Q3	11	80	55%
Q4	11	77	57%
Q1-2006	10	80	50%
Total	37	77	48%

"Reps" includes all recruiting personnel including managers

The New Target Profile

- Primary breadwinner so needs the job to pay bills
- Wants a career at Rasmussen
- Over 26-27 years old
- Over \$35,000
- 3-5 years of sales experience preferably with intangibles
- Competitive
- Hungry
- Mature
- Sensitive to market dynamics and competition
- More men, older women, minorities



Career College Business Update

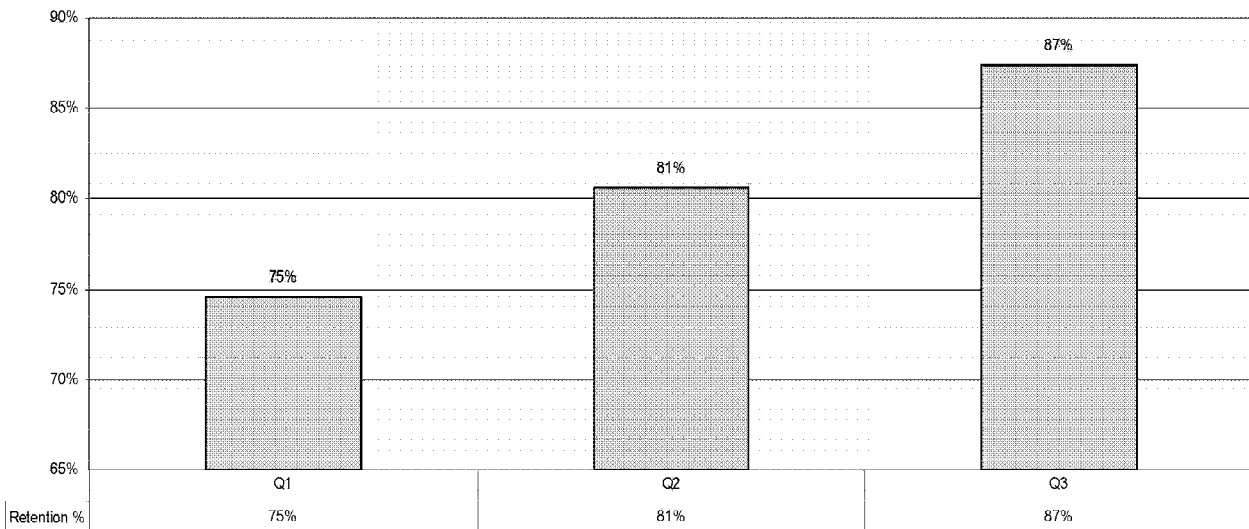
Kristi Waite

Career College Highlights

- Continued shift to online
- Online shift pulls down retention and credit loads leading to flat revenue per pupil
- Accounting weak, Business and Allied Health strong and Technology in need of re-start
- Good progress with moving to one college
- Need improvement in execution at campuses in areas such as financial aid

Retention by Quarter Student was in (New student = Q1)

Cohort Retention Results
Winter 2006

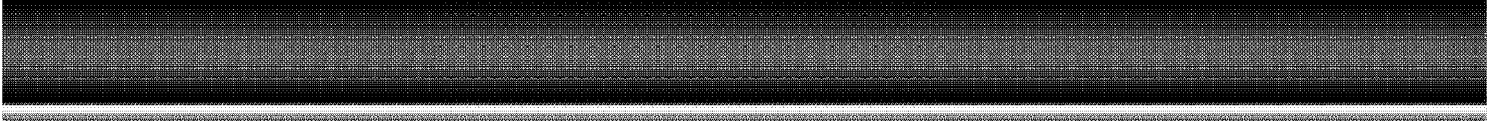


Opportunities

- Merging into one institution
- New campus locations
- The launch of the Rockford, Illinois campus
- The move of Minnetonka to Eden Prairie
- The Baccalaureate launches for Minnesota and North Dakota
- Expanded admission and marketing
- The changes to the 50% rule
- Online retention improvements

Risks

- Operating metrics
 - Retention
 - Ensuring that a summer exodus does not occur
 - Credit loads
 - Placement
- Financial aid compliance
- Accounts receivable and bad debt expense
- Maintaining a qualified and well-trained human resource
- Not just planning, but executing on plans
- Ensuring academic quality
- Making wise spending choices as we move into summer
- Managing work loads at the administrative level



Rasmussen Online Update



Strategy Behind Go-To-Market Approach

- Give students the delivery model they desire (fully online, blended, on ground)
 - Campus reps can sell all modalities so no channel conflict
 - Student chooses whether to go to campus to purchase or purchase over the phone (campus and online reps pass leads back and forth and both get credit)
 - Phoenix used to prohibit campus reps from selling online and now undertaking massive effort to integrate two divisions
- Use lower cost reps to handle students in local area where we have strong brand around campuses and deploy more expensive online reps outside the region where we are known

Rasmussen Online Challenges

- Great success with online in local market through campuses (30% of the spring start) but more difficult in national market
- Expensive student acquisition: \$1,655 in marketing costs per student for Spring Quarter
 - Cost per Lead – \$38 (campuses average \$103)
 - Conversion Rate – 2.3% (campuses average 14-15%)
 - Marketing Cost Per Start – \$1,655 (campuses average \$738)
- Dependency on third party web directories for leads
- Lack of good value proposition with differentiation (covered by JML)
- “Generic” program offering

Result of these challenges is that we are now at 186 students in our 5th quarter (first start of 28 last spring)