

CORINTHIAN COLLEGES INC

Form 10-Q

February 04, 2010

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**UNITED STATES**  
**SECURITIES AND EXCHANGE COMMISSION**

Washington, D.C. 20549

**FORM 10-Q**

**x QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE  
ACT OF 1934**  
**FOR THE QUARTERLY PERIOD ENDED December 31, 2009**

OR

**.. TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE  
ACT OF 1934**  
**For the transition period from \_\_\_\_\_ to \_\_\_\_\_**

Commission file number 0-25283

**CORINTHIAN COLLEGES, INC.**

(Exact name of registrant as specified in its charter)

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**Delaware** **33-0717312**  
(State or other jurisdiction of **(I.R.S. Employer**  
**Incorporation or organization)** **Identification No.)**  
**6 Hutton Centre Drive, Suite 400, Santa Ana, California**  
  
(Address of principal executive offices)  
  
**92707**  
  
(Zip Code)  
  
**(714) 427-3000**  
  
(Registrant's telephone number, including area code)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes  No

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate website, if any, every interactive data file required to be submitted and posted pursuant to Rule 405 of Regulation S-T (section 232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes  No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, or a non-accelerated filer. See definition of accelerated filer and large accelerated filer in Rule 12b-2 of the Exchange Act. (Check one):

Large accelerated filer  Accelerated filer   
Non-accelerated filer  Smaller reporting company   
Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act.): Yes  No

At January 27, 2010, there were 87,722,854 shares of Common Stock of the Registrant outstanding.

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**EXPLANATORY NOTE**

During the fourth quarter of 2008, the Company decided to divest the WyoTech Oakland campus, and the Company has since sold the capital assets of WyoTech Oakland. Additionally, during the fourth quarter of 2008, the Company completed the teach-out of its Lynnwood WA, Everett WA, and Atlanta GA campuses. Accordingly, the results of operations of the campuses are reflected as discontinued operations in our consolidated statements of operations for all prior periods presented. The Company expects to have no significant continuing involvement with these entities.

During the fourth quarter of fiscal 2007, the Company decided to divest all of its Canadian campuses outside of the province of Ontario, Canada, as well as the WyoTech Boston MA campus. The Company sold the non-Ontario Canadian campuses on February 29, 2008. The Company sold WyoTech Boston on May 1, 2008. The Company has no significant continuing involvement with these entities.

The information contained throughout this document is presented on a continuing operations basis, unless otherwise stated.

**Table of Contents****PART I FINANCIAL INFORMATION****Item 1. Financial Statements****CORINTHIAN COLLEGES, INC. AND SUBSIDIARIES****CONDENSED CONSOLIDATED BALANCE SHEETS****(In thousands)**

	<b>December 31, 2009 (Unaudited)</b>	<b>June 30, 2009</b>
<b>ASSETS</b>		
<b>CURRENT ASSETS:</b>		
Cash and cash equivalents	\$ 251,163	\$ 160,276
Accounts receivable, net of allowance for doubtful accounts of \$26,955 and \$25,416 at December 31, 2009 and June 30, 2009, respectively	58,733	65,976
Student notes receivable, net of allowance for doubtful accounts of \$7,334 and \$8,203 at December 31, 2009 and June 30, 2009, respectively	14,153	11,532
Deferred income taxes	32,444	32,369
Prepaid expenses and other current assets	28,077	38,378
Total current assets	384,570	308,531
PROPERTY AND EQUIPMENT, net	231,389	227,553
<b>OTHER ASSETS:</b>		
Goodwill, net	190,566	186,644
Other intangibles, net	38,144	38,647
Student notes receivable, net of allowance for doubtful accounts of \$21,458 and \$20,975 at December 31, 2009 and June 30, 2009, respectively	42,864	29,938
Deposits and other assets	6,705	3,709
Deferred income taxes	4,221	3,849
<b>TOTAL ASSETS</b>	<b>\$ 898,459</b>	<b>\$ 798,871</b>
<b>LIABILITIES AND STOCKHOLDERS EQUITY</b>		
<b>CURRENT LIABILITIES:</b>		
Accounts payable	\$ 43,996	\$ 39,159
Accrued compensation and related liabilities	62,072	79,989
Accrued expenses	22,050	14,305
Prepaid tuition	93,267	66,656
Current portion of capital lease obligations	499	474
Total current liabilities	221,884	200,583
LONG-TERM CAPITAL LEASE OBLIGATIONS, net of current portion	13,920	14,189
LONG-TERM DEBT, net of current portion	3,809	13,895
DEFERRED INCOME TAXES	14,921	14,922
OTHER LONG-TERM LIABILITIES	39,484	37,614
COMMITMENTS AND CONTINGENCIES (Note 7)		
<b>STOCKHOLDERS EQUITY:</b>		
Common Stock, \$0.0001 par value:		
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Common Stock, 120,000 shares authorized: 89,922 shares issued and 87,666 shares outstanding at December 31, 2009 and 89,341 shares issued and 87,085 shares outstanding at June 30, 2009

Additional paid-in capital	219,775	208,331
Treasury stock	(31,368)	(31,368)
Retained earnings	415,512	343,197
Accumulated other comprehensive income (loss)	513	(2,501)
<b>Total stockholders' equity</b>	<b>604,441</b>	<b>517,668</b>
<b>TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY</b>	<b>\$ 898,459</b>	<b>\$ 798,871</b>

The accompanying notes are an integral part of these condensed consolidated financial statements.

**Table of Contents****CORINTHIAN COLLEGES, INC. AND SUBSIDIARIES****CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS**

(In thousands, except per share data)

	Three Months Ended December 31,		Six Months Ended December 31,	
	2009 (Unaudited)	2008 (Unaudited)	2009 (Unaudited)	2008 (Unaudited)
NET REVENUES	\$ 414,308	\$ 318,288	\$ 802,779	\$ 607,869
OPERATING EXPENSES:				
Educational services	221,874	184,802	436,887	361,639
General and administrative	47,341	32,287	86,805	61,625
Marketing and admissions	80,295	73,555	160,399	146,894
Total operating expenses	349,510	290,644	684,091	570,158
INCOME FROM OPERATIONS	64,798	27,644	118,688	37,711
Interest (income)	(351)	(483)	(651)	(932)
Interest expense	832	797	1,336	1,541
Other (income) expense, net	(1,351)	1,343	(2,510)	1,558
INCOME FROM CONTINUING OPERATIONS BEFORE PROVISION FOR INCOME TAXES	65,668	25,987	120,513	35,544
Provision for income taxes	26,267	10,533	48,198	14,384
INCOME FROM CONTINUING OPERATIONS	39,401	15,454	72,315	21,160
LOSS FROM DISCONTINUED OPERATIONS, net of tax		(374)		(594)
NET INCOME	\$ 39,401	\$ 15,080	\$ 72,315	\$ 20,566
INCOME PER SHARE BASIC:				
Income from continuing operations	\$ 0.45	\$ 0.18	\$ 0.83	\$ 0.24
Loss from discontinued operations				
Net income	\$ 0.45	\$ 0.18	\$ 0.83	\$ 0.24
INCOME PER SHARE DILUTED:				
Income from continuing operations	\$ 0.44	\$ 0.18	\$ 0.82	\$ 0.24
Loss from discontinued operations		(0.01)		
Net income	\$ 0.44	\$ 0.17	\$ 0.82	\$ 0.24
Weighted average number of common shares outstanding:				
Basic	87,625	85,627	87,444	85,513
Diluted	88,624	86,905	88,617	86,835

The accompanying notes are an integral part of these condensed consolidated financial statements.



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**CORINTHIAN COLLEGES, INC. AND SUBSIDIARIES**  
**CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS**  
**FROM CONTINUING AND DISCONTINUED OPERATIONS**

(In thousands)

	Six Months Ended December 31,	
	2009 (Unaudited)	2008 (Unaudited)
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>		
Net income	\$ 72,315	\$ 20,566
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	28,163	25,584
Stock based compensation	6,295	5,508
Loss on disposal of assets	363	603
Changes in assets and liabilities:		
Accounts receivable, net	7,713	19,656
Student notes receivable, net	(15,546)	(10,558)
Prepaid expenses and other assets	7,239	6,533
Accounts payable	4,318	5,319
Accrued expenses and other liabilities	(17,529)	(9,813)
Income taxes payable	6,523	
Prepaid tuition	25,474	16,788
Other long-term liabilities	1,569	(831)
Net cash provided by operating activities	126,897	79,355
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>		
Capital expenditures	(30,937)	(22,109)
Proceeds from sale of assets		225
Net cash used in investing activities	(30,937)	(21,884)
<b>CASH FLOWS FROM FINANCING ACTIVITIES:</b>		
Proceeds from borrowings	8,133	
Principal repayments on capital lease obligations and long-term debt	(19,351)	(35,221)
Proceeds from exercise of stock options and employee stock purchase plan	5,748	3,980
Net cash used in financing activities	(5,470)	(31,241)
EFFECTS OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS	397	(264)
NET INCREASE IN CASH AND CASH EQUIVALENTS	90,887	25,966
CASH AND CASH EQUIVALENTS, beginning of period	160,276	32,004
CASH AND CASH EQUIVALENTS, end of period	\$ 251,163	\$ 57,970
<b>SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION:</b>		
Cash paid (received) during the period for:		
Income taxes	\$ 33,969	\$ 5,089



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Interest paid, net of capitalized interest	\$ 914	\$ 2,098
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The accompanying notes are an integral part of these condensed consolidated financial statements.

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**CORINTHIAN COLLEGES, INC. AND SUBSIDIARIES**

**NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**

**December 31, 2009**

**Note 1 The Company and Basis of Presentation**

Corinthian Colleges, Inc. (the Company) is one of the largest post-secondary career education companies in North America. As of December 31, 2009, the Company had 93,152 students and operated 89 schools in 24 states and 17 colleges in the province of Ontario, Canada. The Company offers a variety of diploma programs and associate's, bachelor's and master's degrees, concentrating on programs in allied health, criminal justice, business, vehicle repair and maintenance, construction trades and information technology. The Company also offers exclusively online degrees, primarily in business and criminal justice.

During the fourth quarter of 2008, the Company decided to divest the WyoTech Oakland campus, and the Company has since sold the capital assets of WyoTech Oakland. Additionally, during the fourth quarter of 2008, the Company completed the teach-out of its Lynnwood WA, Everett WA, and Atlanta GA campuses. Accordingly, the results of operations of the campuses are reflected as discontinued operations in the consolidated statements of operations for all prior periods presented. The Company expects to have no significant continuing involvement with these entities.

During the fourth quarter of fiscal 2007, the Company decided to divest all of its Canadian campuses outside of the province of Ontario, Canada, as well as the WyoTech Boston MA campus. The Company sold the non-Ontario Canadian campuses on February 29, 2008. The Company sold WyoTech Boston on May 1, 2008. The Company has no significant continuing involvement with these entities.

The information contained throughout this document is presented on a continuing operations basis, unless otherwise stated.

Certain prior year amounts have been reclassified to conform to the current year presentation.

The accompanying unaudited condensed consolidated financial statements have been prepared by the Company pursuant to the rules and regulations of the Securities and Exchange Commission and in accordance with U.S. generally accepted accounting principles. Certain information and footnote disclosures normally included in annual financial statements have been omitted or condensed pursuant to such regulations. The Company believes the disclosures included in the unaudited condensed consolidated financial statements, when read in conjunction with the June 30, 2009 consolidated financial statements of the Company included in the Company's 2009 Annual Report on Form 10-K and notes thereto, are adequate to make the information presented not misleading. In management's opinion, the unaudited condensed consolidated financial statements reflect all adjustments, consisting solely of normal recurring adjustments, necessary to summarize fairly the consolidated financial position, results of operations, and cash flows for such periods. The results of operations for the three and six months ended December 31, 2009 are not necessarily indicative of the results that may be expected for the full fiscal year ending June 30, 2010.

The unaudited condensed consolidated financial statements as of December 31, 2009 and for the three and six months ended December 31, 2009 and 2008 and the audited condensed consolidated financial statements as of June 30, 2009 include the accounts of the Company and its subsidiaries that it directly or indirectly controls through majority ownership. All significant intercompany balances and transactions have been eliminated in consolidation.

The financial position and results of operations of the Company's Canadian subsidiaries are measured using the local currency as the functional currency. Assets and liabilities of the Canadian subsidiaries are translated to U.S. dollars using exchange rates in effect at the balance sheet dates. Income and expense items are translated at monthly average rates of exchange. The resultant translation adjustments are included as a component of Stockholders' Equity designated as accumulated other comprehensive income (loss). Exchange gains and losses arising from transactions denominated in a currency other than the functional currency are immediately included in earnings.

The Company estimates fair value using a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value into three broad levels. The fair value hierarchy gives the highest priority to quoted prices in active markets for identical assets or liabilities (Level 1) and the lowest priority to unobservable inputs (Level 3).

The carrying value of cash and cash equivalents, receivables and accounts payable approximates their fair value at December 31, 2009. In addition, the carrying value of all borrowings approximates fair value at December 31, 2009.



**Table of Contents****CORINTHIAN COLLEGES, INC. AND SUBSIDIARIES****NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)****December 31, 2009****Note 2 Weighted Average Number of Common Shares Outstanding**

Basic net income per share is calculated by dividing net income by the weighted average number of common shares outstanding for the period. Diluted net income per share reflects the assumed conversion of all dilutive securities, consisting of stock options and restricted stock units.

The table below reflects the calculation of the weighted average number of common shares outstanding used in computing basic and diluted net income per common share for the three and six months ended December 31, 2009 and 2008 (in thousands):

	<b>Three Months Ended December 31,</b>		<b>Six Months Ended December 31,</b>	
	<b>2009</b>	<b>2008</b>	<b>2009</b>	<b>2008</b>
Basic common shares outstanding	87,625	85,627	87,444	85,513
Effects of dilutive securities:				
Stock options and restricted stock units	999	1,278	1,173	1,322
Diluted common shares outstanding	88,624	86,905	88,617	86,835

During the three and six month periods ended December 31, 2009, the Company issued approximately 0.1 million and 0.6 million shares of common stock, respectively, related to the Company's employee stock purchase plan, exercise of stock options and delivery of shares of common stock underlying restricted stock units.

**Note 3 Discontinued Operations*****Fiscal 2008***

During the fourth quarter of 2008, the Company decided to divest the WyoTech Oakland campus. During the fourth quarter of fiscal 2009, the Company sold the capital assets of WyoTech Oakland for \$0.2 million. Additionally, during the fourth quarter of 2008, the Company completed the teach-out of its Lynnwood WA, Everett WA, and Atlanta GA campuses. Accordingly, the results of operations of these campuses are reflected as discontinued operations in the Company's consolidated statements of income for all prior periods presented. The net assets held for sale are required to be recorded on the balance sheet at estimated fair value, less costs to sell. Accordingly, during the fourth quarter of 2008, the Company recorded a charge of approximately \$2.6 million, net of income tax benefit of \$1.2 million, to accrue future rental payments related to the closed campuses and to reduce the carrying value of the net assets of the Company's campuses held for sale and closed to estimated fair value, less costs to sell, as of June 30, 2008 (primarily related to the accrued rent of \$2.8 million and the impairment of fixed assets in the amount of \$1.0 million). The charge is reflected as a component of loss from discontinued operations on the Company's Consolidated Statements of Operations for the year ended June 30, 2008. The Company expects to have no significant continuing involvement with this entity.

***Fiscal 2007***

During the fourth quarter of 2007, the Company decided to divest all of its CDI campuses outside of the province of Ontario, Canada, as well as the WyoTech Boston campus (the Sale Group). The schools were sold in fiscal year 2008. Accordingly, the results of operations of the campuses within the Sale Group are reflected as discontinued operations in the Company's consolidated statements of income for all prior periods presented. The net assets held for sale are required to be recorded on the balance sheet at estimated fair value, less costs to sell. Accordingly, during the fourth quarter of 2007, the Company recorded a charge of approximately \$5.4 million, net of income tax benefit of \$0.3 million, to reduce the carrying value of the net assets of the Company's campuses held for sale to estimated fair value, less costs to sell, as of June 30, 2007 (primarily related to the impairment of goodwill in the amount of \$5.0 million for the divested CDI Schools). The Company expects to have no

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significant continuing involvement with these entities.

Effective February 29, 2008 the Company completed the sale of its 12 Canadian schools located outside the province of Ontario to a wholly-owned subsidiary of the Eminatata Group, for a cash payment of CAD \$3.0 million. This payment consists of the purchase price of CAD \$7.4 million less preliminary negative working capital and other adjustments equal to CAD \$4.4 million. This cash payment was subject to a final working capital adjustment that was finalized during the third quarter of fiscal 2009. The final working capital adjustment resulted in a payment to the buyer of \$0.1 million.

Effective May 1, 2008, the Company completed the sale of its WyoTech Boston campus. The transaction was subject to a final working capital adjustment that was finalized during the third quarter of fiscal 2009. The final working capital adjustment resulted in a payment to the buyer of \$0.1 million.

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These campuses were sold in fiscal year 2008. Accordingly, the results of operations of all these campuses are reflected as discontinued operations in our Condensed Consolidated Statements of Operations for all prior periods presented.

**Note 4 Comprehensive Income (from continuing and discontinued operations)**

Comprehensive income (loss) is defined as the total of net income (loss) and all changes that impact stockholders' equity other than transactions involving stockholders' ownership interests. The following table details the components of comprehensive income for the three and six month periods ended December 31, 2009 and 2008 (in thousands, unaudited):

	<b>Three Months Ended December 31,</b>		<b>Six Months Ended December 31,</b>	
	<b>2009</b>	<b>2008</b>	<b>2009</b>	<b>2008</b>
Net income	\$ 39,401	\$ 15,080	\$ 72,315	\$ 20,566
Foreign currency translation adjustments	746	(3,696)	2,954	(4,640)
Post employment benefits	30	14	60	20
Comprehensive income	\$ 40,177	\$ 11,398	\$ 75,329	\$ 15,946

**Note 5 Impairment, Facility Closing, and Severance Charges**

The table below summarizes the liability and activity for the six month period ended December 31, 2009, relating to the impairment, facility closing and severance charges (in thousands):

	<b>Severance and Benefits</b>	<b>Facility Related</b>	<b>Total</b>
Balance at June 30, 2009	\$ 694	\$ 1,977	\$ 2,671
Cash payments	(694)	(469)	(1,163)
Balance at December 31, 2009 (Unaudited)	\$	\$ 1,508	\$ 1,508

**Note 6 Segment Information**

The Company's operations are aggregated into a single reportable operating segment based upon similar economic and operating characteristics as well as similar markets. The Company's operations are also subject to similar regulatory environments. The Company conducts its operations in the U.S. and Canada. Revenues and long-lived assets by geographic area are as follows (in thousands):

<b>Three Months Ended December 31,</b>		<b>Six Months Ended December 31,</b>	
<b>2009</b>	<b>2008</b>	<b>2009</b>	<b>2008</b>
<b>(Unaudited)</b>	<b>(Unaudited)</b>	<b>(Unaudited)</b>	<b>(Unaudited)</b>

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Revenues from unaffiliated customers				
U.S. operations	\$ 392,293	\$ 304,434	\$ 762,298	\$ 579,671
Canadian operations	22,015	13,854	40,481	28,198
Consolidated	\$ 414,308	\$ 318,288	\$ 802,779	\$ 607,869

	<b>December 31, 2009 (unaudited)</b>	<b>June 30, 2009</b>
Long-lived assets		
U.S. operations	\$ 454,419	\$ 436,024
Canadian operations	59,470	54,316
Consolidated	\$ 513,889	\$ 490,340

No one customer accounted for more than 10% of the Company's consolidated revenues. Revenues are attributed to regions based on the location of customers.

**Table of Contents****CORINTHIAN COLLEGES, INC. AND SUBSIDIARIES****NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)****December 31, 2009****Note 7 Commitments and Contingencies*****Legal Matters***

In the ordinary conduct of its business, the Company and its subsidiaries are subject to lawsuits, demands in arbitration, investigations and other claims, including, but not limited to, lawsuits and claims involving current and former students, employment-related matters, business disputes and regulatory demands. In some of the lawsuits and arbitrations pending against the Company, including matters not presently deemed to be material and which are not disclosed below, the plaintiffs seek certification of the matter as a class action in order to represent other similarly-situated persons. Except as disclosed below, none of the matters currently pending against the Company in which plaintiffs seek class certification has yet been certified as a class action. When the Company is aware of a claim or potential claim, it assesses the likelihood of any loss or exposure. If it is probable that a loss will result and the amount of the loss can be reasonably estimated, the Company records a liability for the loss. If the loss is not probable or the amount of the loss cannot be reasonably estimated, the Company discloses the nature of the specific claim if the likelihood of a potential loss is reasonably possible and the amount involved is material. There can be no assurance that the ultimate outcome of any of the matters threatened or pending against the Company, including those disclosed below, will not have a material adverse effect on the Company's financial condition or results of operations.

Between July 21, 2004 and July 23, 2004, two derivative actions captioned *Collet, Derivatively on behalf of Corinthian Colleges, Inc., v. David Moore, et al.*, and *Davila, Derivatively on behalf of Corinthian Colleges, Inc., v. David Moore, et al.*, were filed in the Orange County California Superior Court against David Moore, Dennis Beal, Dennis Devereux, Beth Wilson, Mary Barry, Stan Mortensen, Bruce Deyong, Loyal Wilson, Jack Massimino, Linda Skladany, Paul St. Pierre, Michael Berry, and Anthony Digiovanni, and against the Company as a nominal defendant. Each individual defendant is one of the Company's current or former officers and/or directors. The lawsuits allege breach of fiduciary duty, abuse of control, gross mismanagement, waste of corporate assets, unjust enrichment, and violations of the California corporations' code, essentially based on the same allegations of conduct complained of in the initial federal securities class action complaints. The *Collet* and *Davila* cases have now been consolidated into one action. A memorandum of understanding was executed by the parties resolving the *Collet* and *Davila* cases, pending court approval, for an immaterial amount of attorneys' fees to be paid by the Company's directors and officers' insurance carrier to the plaintiffs' lawyers, and with the Company agreeing to certain corporate governance matters. On October 29, 2009, the Court denied the parties' motion for approval of the settlement. A status conference is scheduled for February 16, 2010.

On October 3, 2007, the Company was notified that a *qui tam* action had been filed in the U.S. District Court for the Central District of California by a former employee (the relator) on behalf of himself and the federal government. The case is captioned *United States of America, ex rel. Steven Fuhr v. Corinthian Colleges, Inc.* The Company subsequently learned of two other *qui tam* actions filed against the Company captioned *United States of America, ex rel. Nyoka Lee and Talala Mshuja v. Corinthian Colleges, Inc., et al.*, and *United States of America, ex rel. Stephen Backhus v. Corinthian Colleges, Inc., et al.*, filed in the United States District Courts for the Central District of California and the Middle District of Florida, respectively. These *qui tam* actions allege violations of the False Claims Act, 31 U.S.C. § 3729-33, by the Company for allegedly causing false claims to be paid, or allegedly using false statements to get claims paid or approved by the federal government, because of alleged Company violations of the Higher Education Act (the HEA) regarding the manner in which admissions personnel are compensated. The *Lee* complaint also alleges causes of action for common law fraud, unjust enrichment and payment under mistake of fact against the Company, Ernst & Young LLP (the Company's Independent Registered Public Accounting Firm), and David Moore, Jack Massimino, Paul St. Pierre, Alice Kane, Linda Skladany, Hank Adler and Terry Hartshorn (all of whom are current or former directors of the Company). On March 4, 2009, the Company received written notices that the U.S. Department of Justice had declined to intervene in, or take over, these *qui tam* actions, and the United States District Courts in which the cases were filed unsealed the complaints. Although the government declined to intervene in these actions, the relators may continue to pursue the litigation on behalf of the federal government and, if successful, receive a portion of the federal government's recovery. Additionally, upon a showing of good cause, the government has the right to intervene in the actions at a later time. The *Backhus* complaint has since been voluntarily dismissed and, on August 3, 2009, the U.S. District Court issued an order dismissing the *Fuhr* complaint with prejudice. That dismissal has since been appealed. The *Lee* complaint was dismissed with prejudice by the U.S. District Court on December 4, 2009. The *Lee* dismissal has also since been appealed. The Company believes these complaints are without merit and intends to defend itself and its current and former directors vigorously in these matters.



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On May 28, 2008, a putative class action demand in arbitration captioned *Rivera v. Sequoia Education, Inc. and Corinthian Colleges, Inc.* was filed with the American Arbitration Association. The plaintiffs are nine current or former HVAC students from the Company's WyoTech Fremont and WyoTech Oakland campuses. The arbitration demand alleges violations of California's Business and Professions Code Sections 17200 and 17500, fraud and intentional deceit, negligent misrepresentation, breach of contract and unjust enrichment/restoration, all related to alleged deficiencies and misrepresentations regarding the HVAC program at these campuses. The plaintiffs seek to certify a class composed of all

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**CORINTHIAN COLLEGES, INC. AND SUBSIDIARIES**

**NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

**December 31, 2009**

HVAC students in the Company's WyoTech Fremont and WyoTech Oakland campuses over the prior four years, and seek recovery of compensatory and punitive damages, interest, restitution and attorneys' fees and costs. The Company believes the complaint is without merit and intends to vigorously defend itself against these allegations.

On September 4, 2009, the Company was served with a petition filed in Dallas County District Court entitled *Miesha Daniels, et al. v. Rhodes Colleges, Inc., Rhodes Business Group, Inc., and Corinthian Colleges, Inc.* The petition names thirteen former students of three Dallas-area Everest campuses as plaintiffs and does not seek certification as a class action. The plaintiffs allege violations of Texas Deceptive Trade Practices and Consumer Protection Act, breach of contract and fraud related to alleged pre-enrollment representations regarding credit transfer, quality of education and outcomes. The plaintiffs seek recovery of compensatory and exemplary damages and attorneys' fees. The action has been ordered to arbitration where individual arbitration demands have been filed. The plaintiffs' attorney has also informed us of twelve additional current or former students upon whose behalf she intends to file arbitration or litigation claims. The Company believes the allegations are without merit and intends to vigorously defend itself.

On November 17, 2008, an action captioned *Mary Credille and Roger Madden, on behalf of all similarly situated current and former employees, v. Corinthian Colleges et al.*, was filed in the U.S. District Court for the Northern District of Illinois. The two named plaintiffs are former employees of the Company's Chicago campus, and allege failure to receive proper compensation for all overtime hours allegedly worked in violation of the Fair Labor Standards Act. Plaintiff Credille has voluntarily dismissed her claims against the Company. On December 8, 2009, the Court granted Plaintiff Madden's motion to conditionally certify a collective action to include those current and former admissions representatives at the Company's Chicago campus who also satisfy additional requirements. It is unknown whether any, or how many, of the prospective participants, estimated to be around 50 current and former employees, will choose to opt in to participate in the lawsuit. The Company has filed a petition for interlocutory appeal of the order granting conditional certification and intends to challenge the conditional certification at the second stage of the certification process. The Company believes the allegations are without merit and intends to vigorously defend itself.

In addition to the legal proceedings and other matters described above, the Company is or may become a party to pending or threatened lawsuits related primarily to services currently or formerly performed by the Company. Such cases and claims raise difficult and complex factual and legal issues and are subject to many uncertainties and complexities, including, but not limited to, class action certification, governmental intervention, regulatory or administrative agency involvement, the facts and circumstances of each particular case or claim, the jurisdiction in which each suit is brought, and differences in applicable statutory and common law.

As of December 31, 2009, the Company had established aggregate reserves for all of the matters disclosed above, as well as for those additional matters where the liabilities are probable and losses estimable but for which the Company does not believe the matters are reasonably likely to have a material impact on the results of operations or financial condition of the Company, which are immaterial to the Company's financial position. The Company regularly evaluates the reasonableness of its accruals and makes any adjustments considered necessary. Due to the uncertainty of the outcome of litigation and claims, the Company is unable to make a reasonable estimate of the upper end of the range of potential liability for these matters. Upon resolution of any pending legal matters, the Company may incur charges in excess of presently established reserves. While any such charge could have a material adverse impact on the Company's results of operations in the period in which it is recorded or paid, management does not believe that any such charge would have a material adverse effect on the Company's financial position or liquidity.

**Note 8 New Accounting Pronouncements**

In June 2009, the Financial Accounting Standards Board (FASB) issued guidance which established the FASB Accounting Standards Codification as the single source of authoritative accounting principles in the preparation of financial statements in conformity with GAAP. This guidance also explicitly recognized rules and interpretive releases of the Securities and Exchange Commission (SEC) under federal securities laws as authoritative GAAP for SEC registrants. This guidance was effective for financial statements issued for periods ending after September 15, 2009. The adoption of this guidance did not have an impact on our consolidated financial condition or results of operations.

**Note 9 Income Taxes**

The Company employs a more-likely-than-not threshold for financial statement recognition and measurement of a tax position taken or expected to be taken in a tax return.

The Company has classified uncertain tax positions as non-current income tax liabilities unless expected to be paid in one year. The Company also reports income tax-related interest expense in income tax expense in its Consolidated Statement of Operations. Penalties and tax-related interest expense are now reported as a component of income tax expense. As of December 31, 2009 and June 30, 2009, the total amount of accrued income tax-related interest and penalties included in the Consolidated Statement of Operations was \$0.3 million.

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**CORINTHIAN COLLEGES, INC. AND SUBSIDIARIES**

**NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

**December 31, 2009**

As of December 31, 2009 and June 30, 2009, the total amount of unrecognized tax benefits was \$0.7 million. As of December 31, 2009 and June 30, 2009, the total amount of unrecognized tax benefits that would affect the effective tax rate, if recognized, is \$0.4 million. The amount of unrecognized tax benefits that are expected to be settled within the next twelve months is less than \$0.2 million.

The Company's effective tax rate for the three and six months ended December 31, 2009 was 40.0% compared to 40.5% for the three and six months ended December 31, 2008.

**Note 10 Subsequent Events**

In preparing these financial statements, the Company has evaluated events and transactions for potential recognition or disclosure through February 3, 2010, the date the financial statements were issued.

On January 4, 2010, the Company completed its acquisition of Heald Capital, LLC, a Delaware limited liability company, SP PE VII-B Heald Holdings Corp., a Delaware corporation, and SD III-B Heald Holdings Corp., a Delaware corporation. The transaction was completed in accordance with a Securities Purchase and Sale Agreement, dated October 19, 2009. Pursuant to the Purchase Agreement, the Company acquired all of the limited liability company membership interests in Heald by purchasing all of the outstanding capital stock of each of the Holding Companies and by purchasing Membership Interests directly from the Sellers, for total consideration of \$395 million. The consideration paid was financed via existing cash and borrowings against the Company's line of credit in the amount of \$224.0 million.

Of the total purchase price, \$39.5 million was placed in escrow at closing in order to secure potential indemnification obligations of the Sellers to the Company. The aggregate purchase price included the assumption of \$23.4 million in debt of a Heald subsidiary. The Company also paid a preliminary estimated working capital adjustment to Sellers of \$22.2 million that is subject to revision once the closing balance sheet is finalized.

**Table of Contents****Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations**

This Quarterly Report on Form 10-Q contains statements that may constitute forward-looking statements as defined by the U.S. Private Securities Litigation Reform Act of 1995. Such forward-looking statements can be identified by the use of forward-looking terminology such as believes, estimates, anticipates, continues, contemplates, expects, may, will, could, should or would, or the negatives thereof. These statements are based on the intent, belief or expectation of the Company as of the date of this Quarterly Report. Any such forward-looking statements are not guarantees of future performance and may involve risks and uncertainties that are outside the control of the Company. Results may differ materially from the forward-looking statements contained herein as a result of many factors, including the following: risks associated with variability in the expense and effectiveness of the Company's advertising and promotional efforts; unfavorable changes in the cost or availability of alternative loans for our students; the uncertain future impact of the new student information system; increased competition; the Company's effectiveness in its regulatory compliance efforts; the outcome of pending litigation against the Company; the outcome of ongoing reviews and inquiries by accrediting, state and federal agencies; general labor market conditions; general credit market conditions and lenders' willingness or potential unwillingness to make loans to our students; risks related to the Heald Acquisition; and other factors, including those discussed under the headings entitled "Governmental Regulation and Financial Aid" and "Risk Factors" in the Company's Annual Report on Form 10-K (File No. 0-25283) and other documents periodically filed with the Securities and Exchange Commission. The Company expressly disclaims any obligation to release publicly any updates or revisions to any forward-looking statement contained herein to reflect any change in the Company's expectations with regard thereto or any change in events, conditions or circumstances on which any such statement is based. The following discussion of the Company's results of operations and financial condition should be read in conjunction with the interim unaudited condensed financial statements of the Company and the notes thereto included herein and in conjunction with the information contained in the Annual Report on Form 10-K.

***Critical Accounting Policies and Estimates***

Our discussion and analysis of our financial condition and results of operations are based upon our condensed consolidated financial statements, which have been prepared in accordance with U.S. generally accepted accounting principles. The preparation of these financial statements requires us to make estimates and judgments that affect the reported amounts on those financial statements. On an on-going basis, we evaluate our estimates, including, but not limited to, those related to our allowance for doubtful accounts, intangible assets, deferred taxes, contingencies and stock-based compensation. We base our estimates on historical experience and on various other assumptions that we believe to be reasonable under the circumstances, the results of which form the basis for making judgments about the carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates under different conditions or if our assumptions change. Our critical accounting estimates are those which we believe require our most significant judgments about the effect of matters that are inherently uncertain. A discussion of our critical accounting estimates is as follows:

*Allowance for Doubtful Accounts.* We maintain an allowance for doubtful accounts for estimated losses resulting from the inability, failure or refusal of our students to make required payments. We determine the adequacy of this allowance by regularly reviewing the accounts receivable aging and applying various expected loss percentages to certain student accounts receivable categories based upon historical bad debt experience. We generally write off accounts receivable balances deemed uncollectible as they are sent to collection agencies. We offer a variety of payment plans to help students pay that portion of their education expense not covered by financial aid programs. These balances are unsecured and not guaranteed. We believe our reserves are adequate; however, losses related to unpaid student balances could exceed the amounts we have reserved for bad debts. The effect of an increase in our accounts receivable allowance of 3% of our outstanding receivables from 31.5% to 34.5% or \$27.0 million to \$29.5 million would result in a decrease in pre-tax income of \$2.6 million for the period ending December 31, 2009. The effect of an increase in our student notes receivable allowance of 3% of our outstanding earned notes receivable from 33.6% to 36.6% or \$28.8 million to \$31.4 million would result in a decrease in pre-tax income of \$2.6 million for the period ending December 31, 2009.

Many of our students in the U.S. participate in federally guaranteed student loan programs. The federally guaranteed student loans are authorized by the Higher Education Act (HEA) of 1965 and are guaranteed by an agency of the federal government. The guaranteed loans are not guaranteed by us, and the guaranteed student loans cannot become an obligation of ours. Accordingly, we do not record an obligation to repay any of the guaranteed loans that are not repaid by our former students and we do not record either a contingent obligation or an allowance for future obligations as a result of student defaults of federally guaranteed student loans.

However, if one or more of our institution's former students' default rate on guaranteed loans (Cohort Default Rate) equals or exceeds 25% for three consecutive years, the institution may lose participation eligibility in the guaranteed loan program and its students would be denied access to the guaranteed loan program. Our institutions' Cohort Default Rates act as a gatekeeper to their eligibility to participate in the federal student financial aid programs. We have no obligation to repay



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any of the federally guaranteed loans that our former students default upon, even if the Cohort Default Rates of our students exceed permitted levels. Rather, if the Cohort Default Rates at a particular institution exceed 25% for three consecutive years under current calculations, the institution's students may lose eligibility to receive federal student financial aid. Under the Higher Education Opportunity Act of 2008, which reauthorized the HEA, a separate calculation will be performed that will add an additional federal fiscal year of borrowers' repayment performance. This percentage will increase to 30% after three years of Cohort Default Rates calculated with the additional federal fiscal year are available, and then become applicable to the imposition of sanctions.

*Insurance/Self-Insurance.* The Company uses a combination of insurance and self-insurance for a number of risks including claims related to employee health care, workers' compensation, general liability, and business interruption. Liabilities associated with these risks are estimated based on, among other things, historical claims experience, severity factors and other actuarial assumptions. The Company's loss exposure related to self-insurance is limited by stop loss coverage. The expected loss accruals are based on estimates, and while the Company believes the amounts accrued are adequate, the ultimate loss may differ from the amounts provided.

The campus locations of Houston (Hobby) and Houston (Bissonett) suffered damage as a result of Hurricane Ike in September 2008. At the time of the event, the Company had business interruption and property damage coverage for these locations. As of December 31, 2009, the Company had recovered approximately \$4.7 million in business interruption and property damage insurance that has been recognized as a reduction of educational services expense in the Consolidated Statement of Operations.

*Goodwill and Intangible Assets.* We have significant goodwill and other intangible assets. Goodwill represents the excess of the cost over the fair market value of net assets acquired, including identified intangible assets. We consider a number of factors, including valuations and appraisals from independent valuation firms, in determining the amounts that are assignable to other intangible assets, such as curriculum, accreditation, and trade names. We, however, are ultimately responsible for the valuations. The fair value of identified intangible assets is derived using accepted valuation methodologies, including cost, market, and income approaches, as appropriate, following consultations with valuation firms and the requirements set forth by the Uniform Standards of Professional Appraisal Practice.

The Company does not amortize goodwill, accreditation, or trade names as these assets meet the indefinite life criteria within the accounting standards. Curricula are amortized over their useful lives ranging generally from three to fifteen years and the amortization is included in general and administrative expenses in the accompanying Consolidated Statements of Operations.

Goodwill is tested annually or more frequently if circumstances indicate potential impairment, by comparing its fair value to its carrying amount at the reporting unit level. We determined the fair value of our reporting units using the income approach that includes discounted cash flow as well as other generally accepted valuation methodologies. To the extent the fair value of a reporting unit is less than the carrying value of its net assets, we record an impairment charge in the consolidated statements of operations.

Indefinite-lived intangible assets are tested annually or more frequently if circumstances indicate potential impairment, by comparing their fair values to their carrying amounts. To the extent the fair value of an intangible asset is less than its carrying amount, we record an impairment charge in the consolidated statements of operations. For instance, if we were to discontinue the use of a trade name or lose accreditation at one or more of our acquired schools to which we have ascribed value for trade names and accreditation, we would test the amounts we have allocated to such assets for impairment. Such testing would include estimating the future cash flows expected to be received from the trade names and accreditation and comparing them to their carrying values. If our estimate of the present value of these future cash flows were below the carrying values of the related assets, we would consider the assets to be impaired and would take a charge against the amounts we had allocated to trade names and accreditation.

The determination of related estimated useful lives of intangible assets and whether or not these intangible assets are impaired involves significant judgment. Although we believe our goodwill and intangible assets are fairly stated, changes in strategy or market conditions could significantly impact these judgments and require adjustments to asset balances.

*Discontinued Operations.* During the fourth quarter of 2008, the Company decided to divest the WyoTech Oakland campus. During the fourth quarter of fiscal 2009, the Company sold the capital assets of WyoTech Oakland for \$0.2 million. Additionally, during the fourth quarter of 2008, the Company completed the teach-out of its Lynnwood WA, Everett WA, and Atlanta GA campuses. Accordingly, the results of operations of these campuses are reflected as discontinued operations in the Company's consolidated statements of income for all prior periods presented. The net assets held for sale are required to be recorded on the balance sheet at estimated fair value, less costs to sell. Accordingly, during the fourth quarter of 2008, the Company recorded a charge of approximately \$2.6 million, net of income tax benefit of \$1.2 million, to accrue future rental payments related to the closed campuses and to reduce the carrying value of the net assets of the Company's campuses held





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for sale and closed to estimated fair value, less costs to sell, as of June 30, 2008 (primarily related to the accrued rent of \$2.8 million and the impairment of fixed assets in the amount of \$1.0 million). The charge is reflected as a component of loss from discontinued operations on the Company's Consolidated Statements of Operations for the year ended June 30, 2008. The Company expects to have no significant continuing involvement with these entities.

During the fourth quarter of 2007, the Company decided to divest all of its CDI campuses outside of the province of Ontario, Canada, as well as the WyoTech Boston campus (the Sale Group). The schools were sold in fiscal year 2008. Accordingly, the results of operations of the campuses within the Sale Group are reflected as discontinued operations in the Company's consolidated statements of income for all prior periods presented. The net assets held for sale are required to be recorded on the balance sheet at estimated fair value, less costs to sell. Accordingly, during the fourth quarter of 2007, the Company recorded a charge of approximately \$5.4 million, net of income tax benefit of \$0.3 million, to reduce the carrying value of the net assets of the Company's campuses held for sale to estimated fair value, less costs to sell, as of June 30, 2007 (primarily related to the impairment of goodwill in the amount of \$5.0 million for the divested CDI Schools). The Company expects to have no significant continuing involvement with these entities.

Effective February 29, 2008 the Company completed the sale of its 12 Canadian schools located outside the province of Ontario to a wholly-owned subsidiary of the Eminata Group, for a cash payment of CAD \$3.0 million. This payment consists of the purchase price of CAD \$7.4 million less preliminary negative working capital and other adjustments equal to CAD \$4.4 million. This cash payment was subject to a final working capital adjustment that was finalized during the third quarter of fiscal 2009. The final working capital adjustment resulted in a payment to the buyer of \$0.1 million.

Effective May 1, 2008, the Company completed the sale of its WyoTech Boston campus. The transaction was subject to a final working capital adjustment that was finalized during the third quarter of fiscal 2009. The final working capital adjustment resulted in a payment to the buyer of \$0.1 million.

*Income Taxes.* We currently have deferred income tax assets which are subject to periodic recoverability assessments. Valuation allowances are established, when necessary, to reduce deferred tax assets to the amount that more likely than not will be realized. Realization of our deferred income tax assets is principally dependent upon achievement of projected future taxable income offset by deferred income tax liabilities. We evaluate the realizability of our deferred income tax assets annually. In addition, we review our income tax filing positions quarterly and update our tax contingency reserves as necessary.

*Contingencies.* In the ordinary conduct of the business, we are subject to occasional lawsuits, investigations and claims, including, but not limited to, claims involving students and graduates and routine employment matters. When we are aware of a claim or potential claim, we assess the likelihood of any loss or exposure. If it is probable that a loss will result and the amount of the loss can be reasonably estimated, we record a liability for the loss. If the loss is not probable or the amount of the loss cannot be reasonably estimated, we disclose the nature of the specific claim if the likelihood of a potential loss is reasonably possible and the amount involved is material. There can be no assurance that the ultimate outcome of any of the matters disclosed will not have a material adverse effect on our financial condition or results of operations.

*Stock-based Compensation.* In December 2004, the FASB issued accounting guidance that requires companies to measure all employee stock-based compensation awards using a fair value method and record such expense in its consolidated financial statements. In addition, the guidance requires additional accounting and disclosure related to the income tax and cash flow effects resulting from share-based payment arrangements, beginning as of the first interim or annual reporting period beginning after June 15, 2005. Accordingly, we adopted this guidance during the first quarter of fiscal 2006 in accordance with the modified-prospective-transition method and began recognizing compensation expense for stock options which vested during the year.

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The following table summarizes our operating results as a percentage of net revenue for the periods indicated.

	<b>Three Months Ended December 31,</b>		<b>Six Months Ended December 31,</b>	
	<b>2009</b>	<b>2008</b>	<b>2009</b>	<b>2008</b>
<b>Statement of Operations Data (Unaudited):</b>				
Net revenues	100.0%	100.0%	100.0%	100.0%
<b>Operating expenses:</b>				
Educational services	53.6	58.1	54.4	59.5
General and administrative	11.4	10.1	10.8	10.1
Marketing and admissions	19.4	23.1	20.0	24.2
<b>Total operating expenses</b>	<b>84.4</b>	<b>91.3</b>	<b>85.2</b>	<b>93.8</b>
Income from operations	15.6	8.7	14.8	6.2
Interest (income)	(0.1)	(0.1)	(0.1)	(0.1)
Interest expense	0.2	0.5	0.2	0.4
Other (income) expense	(0.3)	0.1	(0.3)	0.1
Income from continuing operations before provision for income taxes	15.8	8.2	15.0	5.8
Provision for income taxes	6.3	3.3	6.0	2.3
Income from continuing operations	9.5	4.9	9.0	3.5
Loss from discontinued operations, net of tax		(0.2)		(0.1)
Net income	9.5%	4.7%	9.0%	3.4%

**Three Months Ended December 31, 2009 Compared to Three Months Ended December 31, 2008**

**Net Revenues.** Net revenues increased \$96.0 million, or 30.2%, from \$318.3 million in the second quarter of fiscal 2009 to \$414.3 million in the second quarter of fiscal 2010. The increase was due to an approximate 24.1% increase in average student population and a 4.9% increase in average revenue per student during the period. At December 31, 2009, student population related to continuing operations was 93,152 compared with 76,165 at December 31, 2008, an increase of 22.3%. Total student starts related to continuing operations increased 10.7% to 29,156 for the second quarter of fiscal 2010 when compared to the second quarter of last year.

**Educational Services.** Educational services expenses include direct operating expenses of the schools consisting primarily of payroll and payroll related expenses, rents, occupancy costs, supply expenses, bad debt expense and other educational related expenses. Educational services expenses increased \$37.1 million, or 20.1%, from \$184.8 million in the second quarter of fiscal 2009 to \$221.9 million in the second quarter of fiscal 2010. As a percentage of net revenues, educational services expenses decreased from 58.1% of revenues in the second quarter of fiscal 2009 to 53.6% of revenues in the second quarter of fiscal 2010. The decrease was primarily due to a reduction in facility costs and bad debt expense as a percentage of revenue. The reduction in facility costs as a percentage of revenue is primarily due to the amount being fixed in nature. Bad debt expense decreased to \$24.2 million or 5.8% of net revenues for the second quarter of fiscal 2010 compared to \$27.8 million or 8.7% of net revenues for the second quarter of fiscal 2009. The decrease in bad debt expense was primarily due to more efficient financial aid packaging for students.

**General and Administrative.** General and administrative expenses include corporate compensation expenses, headquarters office rents and occupancy expenses, professional fees and other support related expenses. General and administrative expenses increased \$15.0 million, or 46.4%, from \$32.3 million in the second quarter of fiscal 2009 to \$47.3 million in the second quarter of fiscal 2010. As a percentage of net revenues, general and administrative expenses increased from 10.1% of revenues in the second quarter of fiscal 2009 to 11.4% of revenues in the second quarter of fiscal 2010 primarily due to earlier timing of Variable Compensation accruals for management personnel throughout the Company.

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*Marketing and Admissions.* Marketing and admissions expenses consist primarily of direct-response and other advertising expenses, payroll and payroll related expenses, promotional materials and other related marketing costs. Marketing and admissions expenses increased \$6.7 million, or 9.1%, from \$73.6 million in the second quarter of fiscal 2009 to \$80.3 million in the second quarter of fiscal 2010. As a percentage of net revenues, marketing and admissions expenses decreased from 23.1% of revenues in the second quarter of fiscal 2009 to 19.4% of revenues for the second quarter of fiscal 2010. The decrease is primarily attributable to a decrease in advertising as a result of market conditions and increased efficiencies derived from brand consolidation.

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*Provision for Income Taxes.* The effective rate in the second quarter of fiscal 2010 was 40.0% as compared to 40.5% in the second quarter of fiscal 2009.

***Six Months Ended December 31, 2009 Compared to Six Months Ended December 31, 2008***

*Net Revenues.* Net revenues increased \$194.9 million, or 32.1%, from \$607.9 million in the first six months of fiscal 2009 to \$802.8 million in the first six months of fiscal 2010. The increase was due to an approximate 24.9% increase in average student population and a 5.7% increase in average revenue per student during the period. At December 31, 2009, student population related to continuing operations was 93,152 compared with 76,165 at December 31, 2008, an increase of 22.3%. Total student starts related to continuing operations increased 16.8% to 65,893 for the first six months of fiscal 2010 when compared to the first six months of last year.

*Educational Services.* Educational services expenses include direct operating expenses of the schools consisting primarily of payroll and payroll related expenses, rents, occupancy costs, supply expenses, bad debt expense and other educational related expenses. Educational services expenses increased \$75.3 million, or 20.8%, from \$361.6 million in the first six months of fiscal 2009 to \$436.9 million in the first six months of fiscal 2010. As a percentage of net revenues, educational services expenses decreased from 59.5% of revenues in the first six months of fiscal 2009 to 54.4% of revenues in the first six months of fiscal 2010. The decrease was primarily due to a reduction in facility costs and bad debt expense as a percentage of revenue. The reduction in facility costs as a percentage of revenue is primarily due to the amount being fixed in nature. Bad debt expense decreased to \$49.2 million or 6.1 % of net revenues for the first six months of fiscal 2010 compared to \$53.5 million or 8.8% of net revenues for the first six months of fiscal 2009. The decrease in bad debt expense was primarily due to more efficient financial aid packaging for students.

*General and Administrative.* General and administrative expenses include corporate compensation expenses, headquarters office rents and occupancy expenses, professional fees and other support related expenses. General and administrative expenses increased \$25.2 million, or 40.9%, from \$61.6 million in the first six months of fiscal 2009 to \$86.8 million in the first six months of fiscal 2010. As a percentage of net revenues, general and administrative expenses increased from 10.1% of revenues in the second quarter of fiscal 2009 to 10.8% of revenues in the second quarter of fiscal 2010 primarily due to earlier timing of variable compensation accruals for management personnel throughout the Company.

*Marketing and Admissions.* Marketing and admissions expenses consist primarily of direct-response and other advertising expenses, payroll and payroll related expenses, promotional materials and other related marketing costs. Marketing and admissions expenses increased \$13.5 million, or 9.2%, from \$146.9 million in the first six months of fiscal 2009 to \$160.4 million in the first six months of fiscal 2010. As a percentage of net revenues, marketing and admissions expenses decreased from 24.2% of revenues in the first six months of fiscal 2009 to 20.0% of revenues for the first six months of fiscal 2010. The decrease is primarily attributable to a decrease in the cost of advertising as a result of market conditions and increased efficiencies derived from brand consolidation.

*Provision for Income Taxes.* The effective rate in the first six months of fiscal 2010 was 40.0% as compared to 40.5% in the first six months of fiscal 2009.

***Seasonality and Other Factors Affecting Quarterly Results***

Our net revenues normally fluctuate as a result of seasonal variations in our business. Student population varies as a result of new student enrollments, graduations, and student attrition. Historically, our schools have had lower revenues in the first fiscal quarter than in the remainder of the fiscal year. Our expenses, however, do not vary as significantly as student population and revenues. We expect quarterly fluctuations in operating results to continue as a result of seasonal enrollment patterns. More importantly, quarterly results may be impacted based on the timing and extent of new acquisitions, new branch openings, relocations and remodels, new program adoptions and increased high school enrollments. The operating results for any quarter are not necessarily indicative of the results for any future period.

***Liquidity and Capital Resources***

On September 30, 2009, we entered into a Third Amended and Restated Credit Agreement with aggregate borrowing capacity of \$280 million, of which \$260 million is a domestic facility and \$20 million, is a Canadian facility. The Third Amended and Restated Credit Agreement expires on October 1, 2012. The Third Amended and Restated Credit Agreement has been established to provide available funds for acquisitions, to fund general corporate purposes, and to provide for letters of credit issuances of up to \$50 million for domestic letters of credit and \$15 million for Canadian letters of credit. Borrowings under the agreement bear interest at several pricing alternatives available to us, including Eurodollar and adjusted



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reference or base rates. The domestic base rate is defined as the higher of (a) the Federal Funds Rate plus 1/2 of 1%, (b) the Bank of America prime rate, or (c) the one-month Eurodollar Rate plus 1.00%. The Canadian base rate is defined as the higher of (a) the average rate for 30 day Canadian Dollar bankers' acceptances plus 3/4 of 1%, (b) the Bank of America Canada prime rate or (c) the one-month Eurodollar Rate plus 1.00%. The agreement contains customary affirmative and negative covenants including financial covenants requiring the maintenance of consolidated net worth, fixed charge coverage ratios, leverage ratios, and a ED financial responsibility composite score ratio. As of December 31, 2009, we were in compliance with all of the covenants. As of December 31, 2009, the credit facility had borrowings outstanding of \$3.8 million and approximately \$10.9 million to support standby letters of credit. The third amended and restated credit agreement is secured by the stock of our significant operating subsidiaries and it is guaranteed by our present and future significant operating subsidiaries.

Working capital amounted to \$162.7 million as of December 31, 2009 and \$107.9 million as of June 30, 2009 and the current ratio was 1.7:1 and 1.5:1, respectively. The increase in working capital compared to June 30, 2009 is primarily due to an increase in cash balances resulting from higher net income, partially offset by an increase in prepaid tuition and a decrease in accounts receivable and prepaid and other current assets.

Cash flows provided by operating activities amounted to \$126.9 million in the first six months of fiscal 2010 compared to \$79.4 million provided by operating activities in the same period of fiscal 2009. The increase in cash provided by operating activities for the first six months of fiscal 2010 compared to the first six months of fiscal 2009 was primarily due to an increase in net income partially offset by the timing of cash receipts and payments related to working capital, primarily accounts receivable and prepaid tuition. Included in cash flows from operating activities is \$0.0 million and \$1.7 million of net cash used in operating activities related to discontinued operations for the first six months of 2010 and 2009, respectively.

Cash flows used in investing activities amounted to \$30.9 million in the first six months of fiscal 2010 compared to cash flows used in investing activities of \$21.9 million in the same period of fiscal 2009. The increase in cash used in investing activities in the first six months of fiscal 2010 compared to the same period last year was due primarily to an increase in capital expenditures. Capital expenditures of \$30.9 million during the first six months of fiscal 2010, compared to capital expenditures of \$22.1 million in the same period of fiscal 2009, were incurred primarily for relocations, remodels and enlargements of existing campuses and to fund information systems expenditures. We expect capital expenditures to be approximately \$115 million for fiscal 2010.

Cash flows used in financing activities in the first six months of fiscal 2010 amounted to approximately \$5.5 million compared to \$31.2 million for the same period of fiscal 2009. The decrease in cash used in financing activities in the first six months of fiscal 2010 compared to the same period last year was due primarily to a repayment of long-term debt in fiscal 2009. We funded our cash needs through cash flows from operations.

Historically, we had developed several loan programs with origination and servicing providers such as Sallie Mae for students with low credit scores who otherwise would not qualify for loans. These loan programs required that we pay a discount fee to the origination and servicing providers of the loans as a reserve against future defaults on these loans. We have historically referred to these types of loans as discount loans, since we incurred a portion of the default risk related to these student loans by taking a discount on the disbursement. By accepting a reduced payment for these discounted loans from the servicing providers, we were not at risk for the amounts agreed to by them and the service providers but were not entitled to any proceeds collected by the service providers in excess of this amount. Therefore we had recorded this discount as a reduction to revenue.

In fiscal 2008 we were informed by Sallie Mae and two other origination and servicing providers that they would no longer make private loans available for students who present higher credit risks (i.e. subprime borrowers). In the face of this change in policy, we created a new lending program in the fourth quarter of fiscal 2008 with a different origination and servicing provider, Genesis Lending Services, Inc. ( Genesis ), who specializes in subprime credit. This new lending program has characteristics similar to our previous discount loan programs. As with our previous discount loan program, under this new Genesis program we pay a discount to the origination and servicing provider for any loans purchased by Genesis and record the discount as a reduction to revenue. However, unlike our previous discount loan programs, under our new discount program we have both the right and an obligation to acquire the related loan, except in certain limited circumstances where Genesis does not comply with the terms of our agreement. Since we initiated the new discount program, we have acquired all of the loans that have been originated. Therefore, we are currently exposed to any credit defaults by our students but retain all amounts collected from our students under the current program. Additionally, the new discount loan program has also replaced our legacy loan program, called STAR. We estimate loans funded under the Genesis program, net of estimated refunds were approximately \$69 million for the quarter ended December 31, 2009 and are projected to be approximately \$150 million for the year ending June 30, 2010. These amounts are an estimate as some loans contain amounts that will be recognized during future periods. Accordingly, unrecognized loans amounts are subject to the Company's refund policy.

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In fiscal 2009, we estimated that the average loan discount rate associated with this program would be approximately 55%, based upon the projected mix of students' credit scores. Based on actual loan volume and credit score mix, we estimate the average loan discount to be approximately 56-58% for loans funded during fiscal years 2010.

Included within the Consolidated Statement of Operations, under the caption Other (income) expense, for the six months ended December 31, 2009 and 2008 is net other income of \$2.2 million and \$0.4 million, associated with the Genesis notes program, respectively. The net other income primarily reflects the interest income and loan origination fees, partially offset by costs related to servicing loans. We defer and recognize both the loan origination income and direct loan origination costs as an adjustment to the yield over the life of the related loan. All other lending-related costs, including costs related to servicing fees are charged to expense as incurred.

We believe that our working capital, cash flow from operations, access to operating leases and borrowings available from our amended credit agreement will provide us with adequate resources for our ongoing operations and planned capital expenditures through fiscal 2010.

### ***Update Regarding Regulatory and Accreditation Matters***

***Accrediting Agency Action – Probation and Show Cause Orders.*** An accrediting agency probation or show cause order may be issued based upon the agency's concerns that an accredited institution may be out of compliance with one or more accrediting standards. Probation or show cause orders afford the institution the opportunity to respond before the institution loses accreditation. The institution may demonstrate that the concern is unfounded, that it has taken corrective action to resolve the concern, or that it has implemented an ongoing plan of action which is deemed appropriate to resolve the concern. The accrediting agency may then vacate the probation or show cause order, continue the probation or show cause order or seek additional information through reports required of the institution. If the agency's concerns are not resolved, it may act to withdraw accreditation from the institution. Institutions on probation or under show cause orders remain accredited. The institutions can continue to enroll new students, and students at the affected institutions remain eligible to receive federal student financial aid.

On May 1, 2009, the Company received notification from the Higher Learning Commission of the North Central Association of Colleges and Schools (HLC) that the Company's Everest College-Phoenix campus (including its branch campus in Mesa, Arizona and its online operations) had been placed on probation. The probation action appears to be primarily related to questions about the institution's autonomy as it relates to Corinthian's ownership and control of the institution. The institution has made numerous changes to its governance and structure to comply with HLC's accreditation criteria and is committed to continuing this process to resolve HLC's concerns. HLC indicated that the probationary process is a period during which it will verify that these changes have, in fact, occurred and effectively meet HLC's standards. If the problems have been addressed and the institution otherwise meets HLC's Criteria for Accreditation, the probation could be removed at HLC's October 2010 meeting. Although the Company cannot predict the outcome of this matter with certainty, it is confident it will be able to satisfy HLC's accreditation criteria. However, since accreditation is required for an institution to be eligible to participate in the federal student financial aid programs, the failure by Everest College Phoenix to satisfactorily resolve its probation with HLC could have a material adverse effect on our business, results of operation and financial condition.

We do not believe that any of our currently pending accreditation actions are reasonably likely to have a material adverse effect on the Company. However, if any of our institutions were to lose accreditation, it could have a material adverse effect on our business, results of operations and financial condition.

From time to time certain of our institutions have been the subject of program reviews by ED. During the fourth quarter of fiscal 2008 and the first quarter of fiscal 2009, our campuses in Fremont, CA, Reseda, CA, Tampa, FL (including its additional locations in Orange Park and Brandon, FL and its online operations), and Gardena, CA, and the online operations of the Phoenix campus, located in Tempe, AZ, were the subject of ED program reviews. We have received Final Determination Letters regarding ED's program review at the Reseda, CA campus, the Gardena, CA campus, the Tampa campuses and the Tampa online operations, all of which contained no material adverse findings and imposed no fines, penalties, or other liabilities. We are continuing to cooperate with all of the outstanding reviews. Program reviews may often be unresolved for several months or years with little or no communication from ED. We do not believe that any of our currently pending program reviews with the ED are reasonably likely to have a material adverse effect on the Company. However, if the ED were to make significant findings of non-compliance by any of our schools in any ongoing or future program review, it could have a material adverse effect on our business, results of operations or financial condition.

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ED's Office of the Inspector General (the OIG) is also conducting an audit of our Everest Institute in Brighton, MA, and the WyoTech Boston, MA campus that was sold during May 2008 to determine whether agreements between those institutions and lenders for the period of July 1, 2007 through March 31, 2009 were in compliance with the HEA. We are cooperating with the OIG's audit.

### **Item 3. Quantitative and Qualitative Disclosure about Market Risk**

We are exposed to the impact of interest rate changes and foreign currency fluctuations. We do not utilize interest rate swaps, forward or option contracts on foreign currencies or commodities, or other types of derivative financial instruments to manage these risks.

*Interest Rate Exposure.* As of December 31, 2009, our only assets or liabilities subject to risks from interest rate changes are (i) debt under the credit facility in the aggregate amount of \$3.8 million and capital lease obligations of \$14.4 million, and (ii) student notes receivable, net, in the aggregate amount of \$57.0 million. Our capital lease obligations and student notes receivable are all at fixed interest rates. We do not believe we are subject to material risks from reasonably possible near-term changes in market interest rates.

*Foreign Currency Exposure.* A portion of our operations consists of an investment in a foreign subsidiary whose functional currency is the Canadian dollar (CAD). Our investment in our foreign operations as of December 31, 2009 was CAD \$23.0 million which includes borrowings outstanding under the credit facility of CAD \$4.0 million. As a result, the consolidated financial results have been and could continue to be affected by changes in foreign currency exchange rates.

### **Item 4. Controls and Procedures**

#### ***Evaluation of Disclosure Controls and Procedures***

We carried out under the supervision and with the participation of our management, including our Chief Executive Officer and Chief Financial Officer, an evaluation of the effectiveness of our disclosure controls and procedures, as such term is defined in Exchange Act Rule 13a-15(e), as of the end of the period covered by this report and concluded that those controls and procedures were effective.

#### ***Changes in Internal Controls Over Financial Reporting***

There were no changes in our internal control over financial reporting during the quarter ended December 31, 2009 that have materially affected or are reasonably likely to materially affect our internal control over financial reporting.

It should be noted that any system of controls, however well designed and operated, can provide only reasonable, and not absolute, assurance that the objectives of the system will be met. In addition, the design of any control system is based in part upon certain assumptions about the likelihood of future events. Because of these and other inherent limitations of control systems, there is only the reasonable assurance that our controls will succeed in achieving their goals under all potential future conditions.

## **PART II OTHER INFORMATION**

### **Item 1. Legal Proceedings**

See Note 7 to the attached condensed consolidated financial statements regarding Commitments and Contingencies.

### **Item 1A. Risk Factors**

In addition to the updated risk factors set forth below, you should carefully consider the factors discussed in Part I, Item 1A. Risk Factors in our Annual Report on Form 10-K for the year ended June 30, 2009, which could materially affect our business, financial condition or future results. The risks described in our Annual Report on Form 10-K are not the only risks facing our Company. Additional risks and uncertainties not currently known to us or that we currently deem to be immaterial also may materially adversely affect our business, financial condition and/or operating results.



***Risks Related To Extensive Regulation of Our Business***

*If we fail to follow extensive regulatory requirements for our business, we could suffer severe fines and penalties, including loss of access to federal student loans and grants for our students.*

We derive a majority of our revenues on a cash basis from federal student financial aid programs. In connection with the receipt of federal financial aid by our students, we are subject to extensive regulation by governmental agencies and licensing and accrediting agencies. In particular, the Higher Education Act of 1965, as amended (the HEA), and the

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regulations issued thereunder by the Department of Education ( ED ), subject us to significant regulatory scrutiny in the form of numerous standards that schools must satisfy in order to participate in the various federal financial aid programs under Title IV of the HEA ( Title IV ). As a result, our schools are subject to extensive regulations by these agencies that, among other things, require us to:

undertake steps to assure that our schools do not have Cohort Default Rates of 25% or more for three consecutive Cohort years;

limit the percentage of revenues (on a cash basis) derived at each of our institutions from federal student financial aid programs to less than 90%;

adhere to financial responsibility and administrative capability standards;

prohibit the payment of certain incentives to personnel engaged in student recruiting, admissions activities or awarding financial aid;

achieve stringent completion and placement outcomes for short-term programs; and

make timely refunds of tuition when a student withdraws from one of our institutions.

These regulatory agencies periodically revise their requirements and modify their interpretations of existing requirements. If one or more of our schools were to violate any of these regulatory requirements, we could suffer fines, penalties or other sanctions, including the loss of our ability to participate in federal student financial aid programs at those schools, any of which could have a material adverse effect on our business. We cannot predict how all of these requirements will be applied, or whether we will be able to comply with all of the requirements.

*Our U.S. schools may lose eligibility to participate in federal student financial aid programs if their current and former students' loan default rates on federally guaranteed student loans are too high.*

Under the HEA, an institution could lose its eligibility to participate in some or all of the federal student financial aid programs if defaults by its former students on their federally guaranteed student loans funded by third parties equal or exceed 25% per year for three consecutive years. ED generally publishes draft cohort default rates in February of each year for the repayment period that ended the prior September 30. On that schedule, the Company expects ED to publish draft cohort default rates for the students who entered repayment between October 1, 2007 and September 30, 2008 (the 2008 Cohort ) in February 2010. The Company monitors on an ongoing basis the preliminary data about cohorts which are in the process of repayment.

Although the draft cohort default rates for the 2008 Cohort will not be available until February 2010, the measurement period for that cohort has ended and the guaranty agencies have submitted preliminary data to ED. Those preliminary data show the negative impact of the ongoing recession on the 2008 Cohort. In our report on form 10Q for the quarter ended September 30, 2009 we stated our belief that given the data the Company had received thus far, we expected ten to twelve of our institutions to exceed the 25% limitation for the 2008 Cohort, but we did not expect any of these institutions to exceed the threshold for three consecutive years. In that same report, we also stated that preliminary data indicated another five of our institutions could exceed this limitation, although the Company would not know the outcome for these institutions until draft rates are published in February 2010. During the quarter ended December 31, 2009, we continued to refine our analysis of the available data for the 2008 Cohort. Based on that analysis, we do not believe that the number of institutions expected to be above the 25% threshold for the 2008 Cohort has deteriorated since we provided our preliminary expectations in the Report on Form 10-Q for the quarter ended September 30, 2009. When ED provides us with draft data for the 2008 Cohort, we expect to file a Report on Form 8-K with updated information. The term institution means a main campus and its additional locations, as defined under ED regulations. The Company has a total of forty institutions, many of which include additional locations.

The HEA is required to be reauthorized on a periodic basis, which most recently occurred in August 2008. The 2008 reauthorization of the HEA, called the Higher Education Opportunity Act ( HEOA ), made significant changes to the requirements governing the Title IV Programs, including the provisions on cohort default rates. Under the HEOA, a separate calculation will be performed that will add an additional federal fiscal year of borrowers' repayment performance starting with the Cohort that enters repayment between October 1, 2008 and September 30, 2009. After three

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years of Cohort Default Rates calculated with the additional federal fiscal year are available, sanctions will be imposed if an institution has a Cohort Default Rate, under the new calculation, of 30% or more for three consecutive federal fiscal years. We review all annually published Cohort Default Rates and appeal the rates we believe are inaccurate. If any of our institutions, depending on its size, were to lose eligibility to participate in federal student financial aid programs because of high student loan default rates, it could have a material adverse effect on our business.

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*ED recently completed a process of negotiated rulemaking without reaching consensus. ED may still proceed with rulemaking on its own. Any changes in ED's regulations could affect the ability of our students to obtain federal funding under Title IV Programs, impact our operations, and have other consequences for us.*

The agencies that regulate our U.S. schools, including ED, periodically revise their requirements and modify their interpretations of existing requirements. On September 9, 2009, the Department published a notice in the Federal Register announcing its intent to establish two negotiated rulemaking committees to prepare proposed regulations under Title IV of the HEA.

Under negotiated rulemaking, ED works to develop a Notice of Proposed Rulemaking in collaboration with representatives of the parties who will be affected significantly by the regulations through a series of meetings during which the representatives work with the ED to come to consensus on the ED's proposed regulations. One of the negotiating rulemaking committees addressed the following issues, many of which are relevant to the Company: satisfactory academic progress; monitoring grade point averages; incentive compensation; gainful employment in a recognized occupation; state authorization as a component of institutional eligibility; definition of a credit hour; verification of information included on a Free Application for Federal Student Aid (FAFSA); definition of a high school diploma for purposes of establishing eligibility to participate in student financial aid programs; misrepresentation of information provided to students and prospective students; ability to benefit; agreements between institutions of higher education; retaking coursework; term-based module programs; institutions required to take attendance for purposes of the Return of Title IV Funds requirements; and timeliness and method of disbursement of Title IV funds. This negotiated rulemaking committee completed its work on January 29, 2010 without reaching consensus. ED must now determine whether to proceed with proposed regulations. If it does, the proposed regulations would be published in a Notice of Proposed Rule Making in the Federal Register. That notice would be followed by a comment period, further refinement of the proposed regulations, and final adoption.

We cannot predict with certainty whether ED will proceed with proposed rulemaking under the HEA, or what the impacts of the ED's potential rulemaking process might be on our institutions' Title IV program eligibility or our operations. We also cannot predict what other legislative or regulatory changes might be adopted by the agencies regulating our education programs, how any resulting regulations might be interpreted, or whether our schools would be able to comply with new requirements in the future. Any actions by ED that affect Title IV funding availability, funding vehicles or institutional or student funding eligibility requirements, or actions by other bodies that affect our programs and operations, could have a material adverse effect on our student enrollments, our ability to remain eligible for Title IV Programs and our results of operations and cash flows.

***Operational Risks That Could Have a Material Adverse Effect on Our Business***

*If we cannot effectively integrate acquired schools, it could harm our business.*

The integration of any acquired operation entails certain risks. We cannot make assurances that any acquired schools, including the acquisition of Heald, can be successfully integrated into our operations or be operated profitably. Acquisitions involve a number of risks that include:

diversion of management resources;

integration of the acquired schools' operations;

possible adverse short-term effects on reported operating results; and

possible loss of key employees.

If we fail to successfully manage the acquisition of Heald, our business would likely suffer.

**Item 2. Unregistered Sales of Equity Securities and Use of Proceeds**

None

**Item 3. Defaults Upon Senior Securities**

None

**Table of Contents****Item 4. Submission of Matters to a Vote of Security Holders**

On November 17, 2009, the Company held its Annual Meeting of Stockholders in Santa Ana, California. The purpose of the meeting was the following: (i) to elect three Class II directors to the Company's Board of Directors for a one-year term expiring at the Annual Meeting of Stockholders in 2010; and (ii) to ratify the appointment by the Audit Committee of the Board of Directors of Ernst & Young LLP as the Company's independent registered public accounting firm for its fiscal year ending June 30, 2010. No other business or actions were proposed at the Annual Meeting of the stockholders.

A total of 80,190,831 shares were represented, in person or by proxy, and entitled to vote at the meeting. Such shares represented approximately 91.64% of the total number of shares entitled to vote at such meeting. The following reflects the tabulation of votes for each initiative placed before the stockholders of the Company:

- 1) Nominees for a one year term as Class II members of the Company's Board of Directors:

Nominee		No. of Votes
Paul R. St. Pierre	For	61,925,452
	Withheld	18,265,379
Linda Arey Skladany	For	79,248,588
	Withheld	942,243
Robert Lee	For	79,325,895
	Withheld	864,936

No other person was nominated or received votes to be Class II Directors of the Company.

- 2) To ratify the appointment of Ernst & Young LLP as the Company's independent registered public accounting firm for its fiscal year ending June 30, 2010:

		No. of Votes
	For	80,115,434
	Against	52,209
	Abstain	23,188

**Item 5. Other Information**

None

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**Item 6. Exhibits**

***(a) Exhibits:***

- Exhibit 2.1 Securities Purchase and Sale Agreement, dated as of October 19, 2009, by and among Corinthian Colleges, Inc., Heald Capital, LLC, SP PE VII-B Heald Holdings Corp., SD III-B Heald Holdings Corp., the individuals and entities set forth on Exhibit A thereto and Heald Investment, LLC, as the Sellers Representative (incorporated by reference to Exhibit 2.1 to the Company's Current Report on Form 8-K filed with the Securities and Exchange Commission on October 20, 2009).
- Exhibit 10.1 Credit Agreement, dated as of March 24, 2009, by and among Heald Real Estate, LLC, Heald Capital, LLC, and Bank of America, N.A. (incorporated by reference to Exhibit 10.1 to the Company's Current Report on Form 8-K filed with the Securities and Exchange Commission on January 5, 2010).
- Exhibit 10.2 Amendment No. 1 and Waiver, dated as of January 4, 2010, by and among Heald Real Estate, LLC, Heald Capital, LLC, and Bank of America, N.A. (incorporated by reference to Exhibit 10.2 to the Company's Current Report on Form 8-K filed with the Securities and Exchange Commission on January 5, 2010).
- Exhibit 10.3 Continuing and Unconditional Guaranty executed by Corinthian Colleges, Inc. on January 4, 2010 (incorporated by reference to Exhibit 10.3 to the Company's Current Report on Form 8-K filed with the Securities and Exchange Commission on January 5, 2010).
- Exhibit 31.1 Chief Executive Officer Certification pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
- Exhibit 31.2 Chief Financial Officer Certification pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
- Exhibit 32.1 Certification Pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002
- Exhibit 32.2 Certification Pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002

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**CORINTHIAN COLLEGES, INC. AND SUBSIDIARIES**

**SIGNATURES**

Pursuant to the requirements of the Securities Exchange Act of 1934, as amended, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

CORINTHIAN COLLEGES, INC.

February 3, 2010

/s/ PETER C. WALLER  
**Peter C. Waller**  
**Chief Executive Officer**

**(Principal Executive Officer)**

February 3, 2010

/s/ KENNETH S. ORD  
**Kenneth S. Ord**  
**Executive Vice President and Chief Financial Officer**

**(Principal Financial Officer)**

February 3, 2010

/s/ ROBERT C. OWEN  
**Robert C. Owen**  
**Senior Vice President and Chief Accounting Officer**

**(Principal Accounting Officer)**