As filed with the Securities and Exchange Commission on May 13, 2008

Registration No. 333-

UNITED STATES SECURITIES AND EXCHANGE COMMISSION
Washington, DC 20549

Form S-1

REGISTRATION STATEMENT
THE SECURITIES ACT OF 1933

Grand Canyon Education, Inc.

(Exact Name of Registrant as Specified in Its Charter)

Delaware	**8221**	**20-3356009**
(State or Other Jurisdiction of Incorporation or Organization)	*(Primary Standard Industrial Classification Code Number)*	*(I.R.S. Employer Identification Number)*

3300 W. Camelback Road
Phoenix, Arizona 85017
(602) 639-7500
(Address, Including Zip Code, and Telephone Number, Including Area Code, of Registrant's Principal Executive Offices)

Christopher C. Richardson
General Counsel
Grand Canyon Education, Inc.
3300 W. Camelback Road
Phoenix, Arizona 85017
(602) 639-7500
(Name, Address, Including Zip Code, and Telephone Number, Including Area Code, of Agent For Service)

Copies to:

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Approximate date of commencement of proposed sale to the public: As soon as practicable after this registration statement becomes effective.

If any of the securities being registered on this form are to be offered on a delayed or continuous basis pursuant to Rule 415 under the Securities Act of 1933, check the following box. o

If this form is filed to register additional securities for an offering pursuant to Rule 462(b) under the Securities Act, check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering. o

If this form is a post-effective amendment filed pursuant to Rule 462(c) under the Securities Act, check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering. o

If this form is a post-effective amendment filed pursuant to Rule 462(d) under the Securities Act, check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering. o

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

Large accelerated filer o	Accelerated filer o	Non-accelerated filer ☑ (Do not check if a smaller reporting company)	Smaller reporting company o

CALCULATION OF REGISTRATION FEE

Title of Each Class of Security To be Registered	Proposed Maximum Aggregate Offering Price(1)	Amount of Registration Fee(2)
Common Stock, par value $0.01 per share	$230,000,000	$9,039

(1) Estimated solely for the purpose of calculating the registration fee pursuant to Rule 457(o) under the Securities Act.

(2) Calculated pursuant to Rule 457(o) based on an estimate of the proposed maximum aggregate offering price, including the offering price of shares that the underwriters have the option to purchase to cover over-allotments, if any.

The Registrant hereby amends this Registration Statement on such date or dates as may be necessary to delay its effective date until the Registrant shall file a further amendment which specifically states that this Registration Statement shall thereafter become effective in accordance with Section 8(a) of the Securities Act or until the Registration Statement shall become effective on such date as the Commission, acting pursuant to said Section 8(a), shall determine.

Subject to Completion
Dated May 13, 2008

Shares

Grand Canyon Education, Inc.
Common Stock

This is the initial public offering of common stock of Grand Canyon Education, Inc. We are offering shares of our common stock.

Prior to this offering, there has been no public market for our common stock. The initial public offering price of our common stock is expected to be between $ and $ per share. We intend to apply to list our common stock on the Nasdaq Global Market under the symbol "LOPE."

percent of the gross proceeds from the sale of stock in this offering, before underwriting discounts and commissions and estimated offering expenses, will be paid to our existing shareholders as a special distribution.

Investing in our common stock involves risks. See "Risk Factors" beginning on page 10.

	Per Share	Total
Public offering price	$	$
Underwriting discounts and commissions	$	$
Proceeds, before expenses, to us	$	$

We have granted the underwriters a 30-day option to purchase up to additional shares of common stock from us at the public offering price, less the underwriting discounts and commissions, to cover over-allotments of shares, if any.

Neither the Securities and Exchange Commission nor any state securities commission has approved or disapproved of these securities or determined if this prospectus is truthful or complete. Any representation to the contrary is a criminal offense.

Delivery of the shares of common stock will be made on or about , 2008.

Joint Book-Running Managers

Credit Suisse **Merrill Lynch & Co.**

BMO Capital Markets William Blair & Company Piper Jaffray

The date of this prospectus is , 2008

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ABOUT THIS PROSPECTUS

You should rely only on the information contained in this prospectus. We have not authorized anyone to provide you with information different from that contained in this prospectus. We are offering to sell, and seeking offers to buy, shares of common stock only in jurisdictions where offers and sales are permitted. You should assume that the information contained in this prospectus is accurate only as of the date of this prospectus, regardless of the time of delivery of this prospectus or of any sale of common stock. Our business, financial condition, results of operations, and prospects may have changed since that date.

Until , 2008 (25 days after the date of this prospectus), all dealers, whether or not participating in this offering, that effect transactions in these securities may be required to deliver a prospectus. This is in addition to the dealer's obligation to deliver a prospectus when acting as an underwriter in this offering and when selling previously unsold allotments or subscriptions.

PROSPECTUS SUMMARY

This summary highlights information contained elsewhere in this prospectus. This summary sets forth the material terms of the offering, but does not contain all of the information that you should consider before investing in our common stock. You should read the entire prospectus carefully before making an investment decision, especially the risks of investing in our common stock described under "Risk Factors." Unless the context otherwise requires, the terms "we," "us," "our," and "Grand Canyon" refer to Grand Canyon Education, Inc. and our predecessor as context requires.

Overview

We are a leading, regionally accredited provider of online postsecondary education services focused on offering graduate and undergraduate degree programs in our core disciplines of education, business, and healthcare. In addition to our online programs, we offer ground programs at our traditional campus in Phoenix, Arizona and onsite at the facilities of employers. We are committed to providing an academically rigorous educational experience with a focus on career-oriented programs that meet the objectives of working adults. We utilize an integrated, innovative approach to marketing, recruiting, and retaining students, which has enabled us to increase enrollment from approximately 3,000 students at the end of 2003 to approximately 14,750 students at the end of 2007, representing a compound annual growth rate of approximately 49%. At the end of 2007, 85% of our students were enrolled in our online programs and 62% of our students were pursuing master's degrees.

Our three core disciplines of education, business, and healthcare represent large markets with attractive employment opportunities. According to the U.S. Department of Education, National Center for Education Statistics, or NCES, these disciplines ranked as three of the four most popular fields of postsecondary education, based on degrees conferred in the 2005-06 school year. The U.S. Department of Labor, Bureau of Labor Statistics, or BLS, has estimated that these fields comprised over 40 million jobs in 2006, many of which require postsecondary education credentials. Furthermore, the BLS has projected that the education, business, and healthcare fields will generate approximately six million new jobs between 2006 and 2016.

We primarily focus on recruiting and educating working adults, whom we define as students age 25 or older who are pursuing a degree while employed. As of December 31, 2007, approximately 93% of our online students were age 25 or older. We believe that working adults are attracted to the convenience and flexibility of our online programs because they can study and interact with faculty and classmates during times that suit their schedules. We also believe that working adults represent an attractive student population because they are better able to finance their education, more readily recognize the benefits of a postsecondary degree, and have higher persistence and completion rates than students generally.

We have experienced significant growth in enrollment, net revenue, and operating income over the last several years. Our enrollment at the end of 2007 was approximately 14,750, representing a 38.4% increase over the prior year. Our net revenue and operating income for the year ended December 31, 2007 were $99.3 million and $6.8 million, respectively, representing increases of 37.7% and 41.3%, respectively, over the prior year. We seek to achieve continued growth in a manner that reinforces our reputation for providing academically rigorous, career-oriented educational programs that advance the careers of our students.

We have been regionally accredited by the Higher Learning Commission of the North Central Association of Colleges and Schools, or the Higher Learning Commission, and its predecessor since 1968, and we were reaccredited by the Higher Learning Commission in 2007 for the maximum term of ten years. In addition, we have specialized accreditations for certain programs from the Association of Collegiate Business Schools and Programs, the Commission on Collegiate Nursing Education, and the Commission on Accreditation of Athletic Training Education. We believe that our regional accreditation, together with these specialized accreditations, reflect the quality of our programs, enhance their marketability, and improve the employability of our graduates.

We were founded as Grand Canyon College, a traditional, private, non-profit college, in 1949 and moved to our existing campus in Phoenix, Arizona in 1951. In February 2004, several of our current stockholders acquired Grand Canyon University and converted it to a for-profit institution. Since then, we have enhanced our senior management team, expanded our online platform and programs, and initiated a marketing and branding effort to further differentiate us in the markets in which we operate and support our continued growth.

Industry

The United States market for postsecondary education represents a large and growing opportunity. According to the NCES, total revenue for all degree-granting postsecondary institutions was over $385 billion for the 2004-05 school year. Approximately 18.0 million students were projected to be enrolled in postsecondary institutions in 2007 and the number was projected to grow to 18.8 million by 2010. We believe that future growth in this market will be driven, in part, by the increasing number of job openings in occupations that require bachelor’s or master’s degrees, which the BLS has projected will grow approximately 17% and 19%, respectively, between 2006 and 2016, or nearly double the growth rate the BLS projected for occupations that do not require postsecondary degrees. Moreover, according to U.S. Census Bureau data, individuals with a postsecondary degree are able to obtain a significant compensation premium relative to individuals without a degree.

The market for online postsecondary education is growing more rapidly than the overall postsecondary market. A 2007 study by Eduventures, LLC, an education consulting and research firm, projected that from 2002 to 2007 enrollment in online postsecondary programs increased from approximately 0.5 million to approximately 1.8 million, representing a compound annual growth rate of approximately 30.4%. In comparison, the NCES projected a compound annual growth rate of 1.6% in enrollment in postsecondary programs overall during the same period. We believe this growth has been driven by a number of factors, including the greater convenience and flexibility of online programs as compared to ground-based programs and the increased acceptance of online programs among academics and employers. According to a 2006 survey by the Sloan Consortium, a trade group focused on online education, 79.1% of chief academic officers surveyed at institutions with 15,000 or more students, most of which offer online programs, and 61.9% of all chief academic officers surveyed, believe that online learning outcomes are equal or superior to traditional face-to-face instruction.

Competitive Strengths

We believe the following competitive strengths differentiate us from our competitors:

Established presence in targeted, high demand disciplines. We have an established presence within our three core disciplines of education, business, and healthcare. We believe our focused approach enables us to develop our academic reputation and brand identity within our core disciplines, recruit and retain quality faculty and staff members, and meet the educational and career objectives of our students.

Focus on graduate degrees for working adults. We have designed our program offerings and our online delivery platform to meet the needs of working adults, particularly those seeking graduate degrees to obtain pay increases or job promotions that are directly tied to higher educational attainment.

Innovative marketing, recruiting, and retention strategy. We have developed an integrated, innovative approach to student marketing, recruitment, and retention to reach our targeted students. We also proactively provide support to students at key points during their consideration of, and enrollment at, Grand Canyon University to enhance the probability of student enrollment and retention.

Commitment to offering academically rigorous, career-oriented programs. We are committed to offering academically rigorous educational programs that are designed to help our students achieve their career objectives. Our programs are taught by qualified faculty, substantially all of whom hold at least a master’s degree and often have practical experience in their respective fields.

Complementary online capabilities and campus-based tradition. We believe that our online capabilities, combined with our nearly 60-year heritage as a traditional campus-based university, differentiate us in the for-profit postsecondary market and enhance the reputation of our degree programs among prospective students and employers.

Experienced management team with strong operating track-record. Our management team possesses extensive experience in educational services businesses, specifically in the areas of marketing to, recruiting, and retaining students pursuing online and other distance education degree offerings, and in online content development.

Growth Strategies

We intend to pursue the following growth strategies:

Increase enrollment in existing programs. We intend to increase enrollment in existing programs within our three core disciplines, which we believe offer ample opportunity for growth. We also intend to continue to increase the number of our enrollment counselors and marketing personnel to drive enrollment growth and enhance student retention.

Expand online program and degree offerings. We develop and offer new programs that we believe have attractive demand characteristics. We launched 17 new online program offerings in 2007 and intend to launch a total of 12 new online programs in 2008, including our first doctoral degree program. Our new program offerings typically build on existing programs and offer our students the opportunity to pursue their specific educational objectives while allowing us to expand our program offerings with only modest incremental investment.

Further enhance our brand recognition. We continue to enhance our brand recognition by pursuing online and offline marketing campaigns, establishing strategic branding relationships with recognized industry leaders, and developing complementary resources in our core disciplines that increase the overall awareness of our offerings.

Expand relationships with private sector and government employers. We seek additional relationships with health care systems, school districts, emergency services providers, and other employers through which we market our offerings to their employees. These relationships provide leads for our programs, build our recognition among employers in our core disciplines, and enable us to identify new programs and degrees that are in demand by students and employers.

Leverage infrastructure and drive earnings growth. We have made significant investments in our people, processes, and technology infrastructure since 2004. We believe these investments have prepared us to deliver our academic programs to a much larger student population with only modest incremental investment. We intend to leverage our historical investments as we increase our enrollment, which we believe will allow us to increase our operating margins over time.

Risks Affecting Us

Our business is subject to numerous risks, as discussed more fully in the section entitled "Risk Factors" immediately following this Prospectus Summary. In particular, our business would be adversely affected if:

- we are unable to attract and retain students as a result of the highly competitive markets in which we operate;
- we are unable to comply with the extensive regulatory requirements to which our business is subject, including requirements governing the Title IV federal student financial aid programs, state laws and regulations, and accrediting commission requirements;
- we experience any student, regulatory, reputational, or other events that adversely affect our graduate degree offerings, from which we currently derive a significant portion of our revenues;
- we experience damage to our reputation or other adverse effects in connection with any compliance audit, regulatory action, or negative publicity affecting us or other companies in the for-profit postsecondary education sector;

- we are unable to attract and retain key personnel needed to sustain and grow our business;
- our students are unable to obtain student loans on affordable terms, or at all;
- adverse economic or other developments affect demand in our core disciplines; or
- we are unable to develop new programs or expand our existing programs in a timely and cost-effective manner.

Corporate Information

We were formed in Delaware in November 2003 for the purpose of acquiring the assets of Grand Canyon University. Prior to completion of this offering, we intend to effect a reorganization pursuant to which we will transfer substantially all of our operations to a newly created wholly-owned subsidiary. Our principal executive offices are located at 3300 West Camelback Road, Phoenix, Arizona 85017, and our telephone number is (602) 639-7500. Our website is located at www.gcu.edu. The information on, or accessible through, our website does not constitute part of, and is not incorporated into, this prospectus.

Accreditation

We are accredited by the Higher Learning Commission of the North Central Association of Colleges and Schools, 30 N. LaSalle Street, Suite 2400, Chicago, Illinois 60602-2504; telephone (312) 263-0456; website www.ncahlc.org. The information on, or accessible through, the website of the Higher Learning Commission does not constitute part of, and is not incorporated into, this prospectus.

Industry Data

We use market data and industry forecasts and projections throughout this prospectus, which we have obtained from market research, publicly available information, and industry publications. These sources generally state that the information they provide has been obtained from sources believed to be reliable, but that the accuracy and completeness of the information are not guaranteed. The forecasts and projections are based on industry surveys and the preparers’ experience in the industry as of the time they were prepared, and there is no assurance that any of the projected numbers will be reached. Similarly, we believe that the surveys and market research others have completed are reliable, but we have not independently verified their findings.

OFFERING SUMMARY

Common stock offered by us	shares
Common stock outstanding after this offering	shares
Use of proceeds	We estimate that the net proceeds to us from this offering will be approximately $ million, or approximately $ million if the underwriters exercise their over-allotment option in full, based on the midpoint of the price range set forth on the cover page of this prospectus.

As described in “Use of Proceeds” and “Special Distribution,” we intend to use the proceeds of this offering to pay a special distribution to our stockholders of record as of , 2008, in an amount equal to % of the gross proceeds received by us from the sale of stock in this offering, before underwriting discounts and commissions and estimated offering expenses. We also intend to use up to $16.0 million of the proceeds of this offering to redeem an outstanding warrant to purchase shares of our common stock. We intend to use the remaining proceeds and any proceeds we receive from the underwriters’ exercise of their over-allotment option to pay the expenses of this offering and for general corporate purposes.

The payment of the special distribution in the amount described above permits a return of capital to all of our stockholders as of the record date, and does so without significantly decreasing our capital resources or requiring these stockholders to sell their shares. Of the estimated aggregate amount of the special distribution of $ million, assuming an initial public offering price of $ per share, which is the midpoint of the price range set forth on the cover page of this prospectus, $ million will be paid in respect of shares of our capital stock over which our directors and executive officers as a group are deemed to exercise sole or shared voting or investment power. These proceeds will be allocated as set forth in the following table.

	Special Distribution
Directors	
Chad N. Heath(1)	$
D. Mark Dorman(1)	$
Executive Officers	
Brent D. Richardson	$
John E. Crowley	$
Christopher C. Richardson	$
All directors and executive officers as a group	$

(1) Represents shares owned by Endeavour Capital Fund IV, L.P. and certain affiliated funds. D. Mark Dorman and Chad N. Heath, two of our directors, are managing directors of Endeavour Capital IV, LLC, the general partner of such funds.

	See “Special Distribution” and “Certain Relationships and Related Transactions — Special Distribution” for additional information regarding the beneficiaries of the special distribution.
Dividend policy	Except with respect to the special distribution, we do not anticipate declaring or paying any cash dividends on our common stock in the foreseeable future.
Risk factors	You should carefully read and consider the information set forth under the heading titled “Risk Factors” and all other information set forth in this prospectus before deciding to invest in shares of our common stock.
Proposed Nasdaq Global Market symbol	LOPE

The number of shares of our common stock to be outstanding following this offering is based on shares of our common stock outstanding as of , 2008, and excludes shares of common stock reserved for future issuance under our stock-based compensation plans.

Unless otherwise indicated, this prospectus reflects and assumes the following:

- no exercise by the underwriters of their option to purchase up to additional shares from us;
- a for split of our outstanding common stock to be effected immediately prior to the effectiveness of this offering;
- the automatic conversion of all outstanding shares of Series A preferred stock into 5,953 shares of common stock upon the closing of the offering;
- the filing of an amendment to our certificate of incorporation to provide for the automatic conversion of all outstanding shares of Series C preferred stock into shares of common stock upon the closing of the offering based on a conversion price equal to the initial public offering price per share, assuming an initial public offering price of $ per share, which is the midpoint of the range set forth on the cover page of this prospectus;
- the repurchase by us of an outstanding warrant to purchase common stock for up to $16.0 million in cash, as described under “Use of Proceeds;”
- the filing of our amended and restated certificate of incorporation and the adoption of our amended and restated bylaws immediately prior to the effectiveness of this offering; and
- the rounding of all fractional share amounts to the nearest whole number.

SUMMARY FINANCIAL AND OTHER DATA

The following table sets forth our summary financial and operating data as of the dates and for the periods indicated. The statement of operations and other data, excluding period end enrollment, for each of the years in the three-year period ended December 31, 2007, and the balance sheet data as of December 31, 2007, have been derived from our audited financial statements, which are included elsewhere in this prospectus.

You should read the following summary financial and other data in conjunction with “Selected Financial and Other Data,” “Management’s Discussion and Analysis of Financial Condition and Results of Operations,” and our financial statements and related notes included elsewhere in this prospectus.

	Year Ended December 31,		
	2005	2006	2007
	(In thousands, except enrollment, share, and per share data)		
Statement of Operations Data:			
Net revenue	$ 51,793	$ 72,111	$ 99,327
Costs and expenses:			
Instructional costs and services	26,959	29,920	36,852
Selling and promotional	13,758	19,355	33,480
General and administrative	12,424	15,326	18,385
Royalty to former owner	1,619	2,678	3,782
Total costs and expenses	54,760	67,279	92,499
Operating income (loss)	(2,967)	4,832	6,828
Interest expense	(3,016)	(2,909)	(3,070)
Interest income	276	912	1,172
Income (loss) before income taxes	(5,707)	2,835	4,930
Income tax expense (benefit)(1)	(1,894)	1,184	1,939
Net income (loss)	$ (3,813)	$ 1,651	$ 2,991
Preferred dividends	—	(527)	(349)
Net income available (loss attributable) to common stockholders	$ (3,813)	$ 1,124	$ 2,642
Earnings (loss) per common share			
Basic	$ (377)	$ 109	$ 255
Diluted	$ (377)	$ 82	$ 159
Shares used in computing earnings (loss) per common share			
Basic	10,115	10,325	10,342
Diluted	10,115	20,107	18,860
Other Data:			
Net cash provided by (used in) operating activities	$ (6,972)	$ 6,800	$ 7,107
Capital expenditures	$ 817	$ 2,387	$ 7,410
Depreciation and amortization	$ 1,879	$ 2,396	$ 3,269
Adjusted EBITDA(2)	$ 1,042	$ 10,864	$ 14,175
Period end enrollment:			
Online	6,212	8,406	12,497
Ground	2,210	2,256	2,257

	As of December 31, 2007	
	Actual	Pro Forma, as Adjusted(3)
	(In thousands)	
Balance Sheet Data:		
Cash and cash equivalents	$ 23,210	$
Total assets	91,163	
Capital lease obligations	29,228	
Other indebtedness (including short-term indebtedness)	8,408	
Preferred stock	31,948	
Total stockholders' equity (deficit)(1)	(7,792)	

(1) On August 24, 2005, we converted from a limited liability company to a taxable corporation. For all periods subsequent to such date, we have been subject to corporate-level U.S. federal and state income taxes.

(2) Adjusted EBITDA is defined as net income (loss) plus interest expense net of interest income, plus income tax expense (benefit), and plus depreciation and amortization (EBITDA), as adjusted for (i) royalty payments incurred pursuant to an agreement with our former owner that has been terminated as of April 15, 2008, as discussed in "Management's Discussion and Analysis of Financial Condition and Results of Operations — Factors affecting comparability — Settlement with former owner" and Note 2 to our financial statements included with this prospectus and (ii) management fees that are no longer paid or that will no longer be payable following completion of this offering.

We present Adjusted EBITDA because we consider it to be an important supplemental measure of our operating performance. We also make certain compensation decisions based, in part, on our operating performance, as measured by Adjusted EBITDA. See "Compensation Discussion and Analysis — Impact of Performance on Compensation." All of the adjustments made in our calculation of Adjusted EBITDA are adjustments to items that management does not consider to be reflective of our core operating performance. Management considers our core operating performance to be that which can be affected by our managers in any particular period through their management of the resources that affect our underlying revenue and profit generating operations during that period. Management fees and royalty expenses that became payable in connection with our acquisition of Grand Canyon University, and subsequent financing transactions, are not considered reflective of our core operating performance.

Our management uses Adjusted EBITDA:

- in developing our internal budgets and strategic plan;
- as a measurement of operating performance;
- as a factor in evaluating the performance of our management for compensation purposes; and
- in presentations to the members of our board of directors to enable our board to have the same measurement basis of operating performance as are used by management to compare our current operating results with corresponding prior periods and with the results of other companies in our industry.

However, Adjusted EBITDA is not a recognized measurement under U.S. generally accepted accounting principles, or GAAP, and when analyzing our operating performance, investors should use Adjusted EBITDA in addition to, and not as an alternative for, net income, operating income, or any other performance measure presented in accordance with GAAP, or as an alternative to cash flow from operating activities or as a measure of our liquidity. Because not all companies use identical calculations, our presentation of Adjusted EBITDA may not be comparable to similarly titled measures of other companies.

Adjusted EBITDA has limitations as an analytical tool, as discussed under "Management's Discussion and Analysis of Financial Condition and Results of Operations — Non-GAAP Discussion."

The following table provides a reconciliation of net income (loss) to Adjusted EBITDA:

	Year Ended December 31,		
	2005	2006	2007
		(In thousands)	
Net income (loss)	$(3,813)	$ 1,651	$ 2,991
Plus: interest expense net of interest income	2,740	1,997	1,898
Plus: income tax expense (benefit)	(1,894)	1,184	1,939
Plus: depreciation and amortization	1,879	2,396	3,269
EBITDA	(1,088)	7,228	10,097
Plus: royalty to former owner(a)	1,619	2,678	3,782
Plus: management fees(b)	511	958	296
Adjusted EBITDA	$ 1,042	$10,864	$14,175

(a) Reflects the royalty fee arrangement with the former owner of Grand Canyon University in which we agreed to pay a stated percentage of cash revenue generated by our online programs. As a result of the settlement of a dispute with our former owner, we are no longer obligated to pay this royalty, although the settlement includes a prepayment of future royalties that will be amortized in 2008 and future periods. See "Management's Discussion and Analysis of Financial Condition and Results of Operations — Factors affecting comparability — Settlement with former owner" and Note 2 to our financial statements included with this prospectus.

(b) Reflects management fees of $0.1 million, $0.3 million, and $0.3 million for the years ended December 31, 2005, 2006, and 2007, respectively, to the general partner of Endeavour Capital, and an aggregate of $0.4 million and $0.7 million for the years ended December 31, 2005 and 2006, respectively, to an entity affiliated with a former director and another affiliated with a significant stockholder, in each case following their investment in us. The agreements relating to these arrangements have all terminated or will terminate by their terms upon the closing of this offering. See "Certain Relationships and Related Transactions."

(3) For a description of the offering and pro forma adjustments, see "Capitalization."

RISK FACTORS

Investing in our common stock involves a high degree of risk. Before making an investment in our common stock, you should carefully consider the following risks and the other information contained in this prospectus, including our financial statements and related notes, "Management's Discussion and Analysis of Financial Condition and Results of Operations," and "Regulation." The risks described below are those that we believe are the material risks we face. Any of the risk factors described below, and others that we did not anticipate, could significantly and adversely affect our business, prospects, financial condition, results of operations, and cash flows. As a result, the trading price of our common stock could decline and you may lose all or part of your investment.

Risks Related to Our Industry

Our failure to comply with the extensive regulatory requirements governing our school could result in financial penalties, restrictions on our operations or growth, or loss of external financial aid funding for our students.

In our 2006 and 2007 fiscal years, we derived approximately 64.0% and 65.4%, respectively, of our net revenues from tuition financed under federal student financial aid programs, referred to in this prospectus as the Title IV programs, which are administered by the U.S. Department of Education, or Department of Education. To participate in the Title IV programs, a school must be authorized by the appropriate state education agency or agencies, be accredited by an accrediting commission recognized by the Department of Education, and be certified as an eligible institution by the Department of Education. In addition, our operations and programs are regulated by other state education agencies and additional accrediting commissions. As a result of these requirements, we are subject to extensive regulation by the Arizona State Board for Private Postsecondary Education and education agencies of other states, the Higher Learning Commission, which is our primary accrediting commission, specialized accrediting commissions, and the Department of Education. These regulatory requirements cover the vast majority of our operations, including our educational programs, instructional and administrative staff, administrative procedures, marketing, recruiting, financial operations, and financial condition. These regulatory requirements also affect our ability to open additional schools and locations, add new educational programs, change existing educational programs, and change our corporate or ownership structure. The agencies that regulate our operations periodically revise their requirements and modify their interpretations of existing requirements. Regulatory requirements are not always precise and clear, and regulatory agencies may sometimes disagree with the way we have interpreted or applied these requirements. Any misinterpretation by us of regulatory requirements could materially adversely affect us.

If we fail to comply with any of these regulatory requirements, we could suffer financial penalties, limitations on our operations, loss of accreditation, termination of or limitations on our ability to grant degrees and certificates, or limitations on or termination of our eligibility to participate in the Title IV programs, each of which could materially adversely affect us. In addition, if we are charged with regulatory violations, our reputation could be damaged, which could have a negative impact on our stock price and our enrollments. We cannot predict with certainty how all of these regulatory requirements will be applied, or whether we will be able to comply with all of the applicable requirements in the future.

If the Department of Education does not recertify us to continue participating in the Title IV programs, our students would lose their access to Title IV program funds, or we could be recertified but required to accept significant limitations as a condition of our continued participation in the Title IV programs.

Department of Education certification to participate in the Title IV programs lasts a maximum of six years, and institutions are thus required to seek recertification from the Department of Education on a regular basis in order to continue their participation in the Title IV programs. An institution must also apply for recertification by the Department of Education if it undergoes a change in control, as defined by Department of Education regulations, and may be subject to similar review if it expands its operations or educational programs in certain ways.

Our most recent recertification, which was issued on a provisional basis in May 2005 after an extended review by the Department of Education following the change in control that occurred in February 2004, contained a number of conditions on our continued participation in the Title IV programs. At that time we were required by the Department of Education to post a letter of credit, accept restrictions on the growth of our program offerings and enrollment, and receive certain Title IV funds under the heightened cash monitoring system of payment (pursuant to which an institution is required to credit students with Title IV funds prior to obtaining those funds from the Department of Education) rather than by advance payment (pursuant to which an institution receives Title IV funds from the Department of Education in advance of disbursement to students). In October 2006, the Department of Education eliminated the letter of credit requirement and allowed the growth restrictions to expire, and in August 2007, it eliminated the heightened cash monitoring restrictions and returned us to the advance payment method. However, we remain certified on a provisional basis, which means that the Department of Education may more closely review our applications for recertification, new locations, new educational programs, acquisitions of other schools, or other significant changes, and it may revoke its certification of us without advance notice if it determines we are not fulfilling material Title IV requirements. Our current certification extends to June 30, 2008, and we submitted our application for recertification in March 2008. There can be no assurance that the Department of Education will recertify us, or that it will not impose restrictions as a condition to approving our pending recertification application or with respect to any future recertification. If the Department of Education does not renew or withdraws our certification to participate in the Title IV programs at any time, our students would no longer be able to receive Title IV program funds. Similarly, the Department of Education could renew our certification, but restrict or delay our students' receipt of Title IV funds, limit the number of students to whom we could disburse such funds, or place other restrictions on us. Any of these outcomes would have a material adverse effect on our enrollments and us.

Congress may change the eligibility standards or reduce funding for the Title IV programs, which could reduce our student population, revenue, and profit margin.

Political and budgetary concerns significantly affect the Title IV programs. Congress must periodically reauthorize the Higher Education Act, which is the federal law that governs the Title IV programs. The last reauthorization of the Higher Education Act occurred in 1998, and Congress is currently considering a new reauthorization, which is likely to contain numerous changes to the Higher Education Act. In addition, Congress must determine funding levels for the Title IV programs on an annual basis, and can change the laws governing the Title IV programs at any time. Because a significant percentage of our revenue is derived from the Title IV programs, any action by Congress that significantly reduces Title IV program funding or our ability or the ability of our students to participate in the Title IV programs could require us to seek to arrange for other sources of financial aid for our students and could materially decrease our student enrollment. Such a decrease in our enrollment could have a material adverse effect on us. Congressional action could also require us to modify our practices in ways that could increase our administrative and regulatory costs.

If we do not meet specific financial responsibility standards established by the Department of Education, we may be required to post a letter of credit or accept other limitations in order to continue participating in the Title IV programs, or we could lose our eligibility to participate in the Title IV programs.

To participate in the Title IV programs, an institution must either satisfy specific quantitative standards of financial responsibility prescribed by the Department of Education, or post a letter of credit in favor of the Department of Education and possibly accept operating restrictions as well. These financial responsibility tests are applied to each institution on an annual basis based on the institution's audited financial statements, and may be applied at other times, such as if the institution undergoes a change in control. These tests may also be applied to an institution's parent company or other related entity. The operating restrictions that may be placed on an institution that does not meet the quantitative standards of financial responsibility include being transferred from the advance payment method of receiving Title IV funds to either the reimbursement or the heightened cash monitoring system, which could result in a significant delay in the institution's receipt of those funds. For example, when we were recertified by the Department of Education to participate in the Title IV programs in May 2005 following the change in control that occurred in February 2004, the Department of Education reviewed our fiscal year 2004 audited financial statements and advised us that our composite score, which is a standard of financial responsibility derived from a formula established by the Department of Education, reflected financial weakness. As a result of this and other concerns about our administrative capability, the Department of Education required us to post a letter of credit, accept restrictions on the growth of our program offerings and enrollment, and receive Title IV funds under the heightened cash monitoring system of payment rather than by advance payment. In October 2006, the Department of Education eliminated the letter of credit requirement and allowed the growth restrictions to expire, and in August 2007, it eliminated the heightened cash monitoring restrictions and returned us to the advance payment method. However, if, in the future, we fail to satisfy the Department of Education's financial responsibility standards, we could experience increased regulatory compliance costs or delays in our receipt of Title IV funds because we could be required to post a letter of credit or be subjected to operating restrictions, or both. Our failure to secure a letter of credit in these circumstances could cause us to lose our ability to participate in the Title IV programs, which would materially adversely affect us.

If we do not comply with the Department of Education's administrative capability standards, we could suffer financial penalties, be required to accept other limitations in order to continue participating in the Title IV programs, or lose our eligibility to participate in the Title IV programs.

To continue participating in the Title IV programs, an institution must demonstrate to the Department of Education that the institution is capable of adequately administering the Title IV programs under specific standards prescribed by the Department of Education. These administrative capability criteria require, among other things, that the institution has an adequate number of qualified personnel to administer the Title IV programs, has adequate procedures for disbursing and safeguarding Title IV funds and for maintaining records, submits all required reports and financial statements in a timely manner, and does not have significant problems that affect the institution's ability to administer the Title IV programs. If we fail to satisfy any of these criteria, the Department of Education may assess financial penalties against us, restrict the manner in which the Department of Education delivers Title IV funds to us, place us on provisional certification status, or limit or terminate our participation in the Title IV programs, any of which could materially adversely affect us. When we were recertified by the Department of Education to participate in the Title IV programs in May 2005 following the change in control that occurred in February 2004, the Department of Education required us to post a letter of credit, accept restrictions on the growth of our program offerings and enrollment, and receive Title IV funds under the heightened cash monitoring system of payment rather than by advance payment, due to the Department of Education's concerns about our administrative capability combined with our financial weakness under the Department of Education's standards of financial responsibility.

We would lose our ability to participate in the Title IV programs if we fail to maintain our institutional accreditation, and our student enrollments could decline if we fail to maintain any of our accreditations or approvals.

An institution must be accredited by an accrediting commission recognized by the Department of Education in order to participate in the Title IV programs. We have institutional accreditation by the Higher Learning Commission, which is an accrediting commission recognized by the Department of Education. To remain accredited, we must continuously meet accreditation standards relating to, among other things, performance, governance, institutional integrity, educational quality, faculty, administrative capability, resources, and financial stability. If we fail to satisfy any of these standards, we could lose our accreditation by the Higher Learning Commission, which would cause us to lose our eligibility to participate in the Title IV programs and could cause a significant decline in our total student enrollments and have a material adverse effect on us. In addition, many of our individual educational programs are also accredited by specialized accrediting commissions or approved by specialized state agencies. If we fail to satisfy the standards of any of those specialized accrediting commissions or state agencies, we could lose the specialized accreditation or approval for the affected programs, which could result in materially reduced student enrollments in those programs and have a material adverse effect on us.

If we do not maintain our state authorization in Arizona, we may not operate or participate in the Title IV programs.

A school that grants degrees or certificates must be authorized by the relevant education agency of the state in which it is located. We are located in the state of Arizona and are authorized by the Arizona State Board for Private Postsecondary Education. State authorization is also required for our students to be eligible to receive funding under the Title IV programs. To maintain our state authorization, we must continuously meet standards relating to, among other things, educational programs, facilities, instructional and administrative staff, marketing and recruitment, financial operations, addition of new locations and educational programs, and various operational and administrative procedures. If we fail to satisfy any of these standards, we could lose our authorization by the Arizona State Board for Private Postsecondary Education to offer our educational programs, which would also cause us to lose our eligibility to participate in the Title IV programs and have a material adverse effect on us.

If a substantial number of our students cannot secure Title IV loans as a result of decreased lender participation in the Title IV programs or if lenders increase the costs or reduce the benefits associated with the Title IV loans they provide, we could be materially adversely affected.

The cumulative impact of recent regulatory and market developments and conditions has caused some lenders to cease providing Title IV loans to students, including some lenders that have previously provided Title IV loans to our students. Other lenders have reduced the benefits and increased the fees associated with the Title IV loans they provide. We and other schools have had to modify student loan practices in ways that could result in higher administrative costs. If the costs of their Title IV loans increase, some students may decide not to take out loans and not enroll in a postsecondary institution. In May 2008, new federal legislation was enacted to attempt to ensure that all eligible students will be able to obtain Title IV loans in the future and that a sufficient number of lenders will continue to provide Title IV loans. Among other things, the new legislation:

- authorizes the Department of Education to purchase Title IV loans from lenders, thereby providing capital to the lenders to enable them to continue making Title IV loans to students; and
- permits the Department of Education to designate institutions eligible to participate in a “lender of last resort” program, under which federally recognized student loan guaranty agencies will be required to make Title IV loans to all otherwise eligible students at those institutions.

We cannot predict if this legislation will be effective in ensuring students’ access to Title IV loans. If a substantial number of lenders cease to participate in the Title IV loan programs, increase the costs of student access to such programs, or reduce the benefits available under such programs, our students may not have access to such loans, which could cause our enrollments to decline and have a material adverse effect on us.

An increase in interest rates could adversely affect our ability to attract and retain students.

Approximately 65.4% of our net revenues for the year ended December 31, 2007, were derived from tuition financed under the Title IV programs, which include student loans with interest rates subsidized by the federal government. Additionally, some of our students finance their education through private loans that are not subsidized. Interest rates have reached relatively low levels in recent years, creating a favorable borrowing environment for students. However, in the event interest rates increase or Congress decreases the amount available for federal student aid, our students may have to pay higher interest rates on their loans. Any future increase in interest rates will result in a corresponding increase in educational costs to our existing and prospective students, which could result in a significant reduction in our student population and revenues. Higher interest rates could also contribute to higher default rates with respect to our students’ repayment of their education loans. Higher default rates may in turn adversely impact our eligibility to participate in some or all of the Title IV programs, which could result in a significant reduction in our student population and our profitability. See “We may lose our eligibility to participate in the Title IV programs if our student loan default rates are too high” located elsewhere in “Risk Factors” for further information.

Our failure to comply with the regulatory requirements of states other than Arizona could result in actions taken by those states that could have a material adverse effect on our enrollments.

Almost every state imposes regulatory requirements on educational institutions that have physical facilities located within the state’s boundaries. These regulatory requirements establish standards in areas such as educational programs, facilities, instructional and administrative staff, marketing and recruitment, financial operations, addition of new locations and educational programs, and various operational and administrative procedures, some of which are different than the standards prescribed by the Department of Education or the

Arizona State Board for Private Postsecondary Education. In addition, several states have sought to assert jurisdiction over educational institutions offering online degree programs that have no physical location or other presence in the state but that have some activity in the state, such as enrolling or offering educational services to students who reside in the state, employing faculty who reside in the state, or advertising to or recruiting prospective students in the state. State regulatory requirements for online education vary among the states, are not well developed in many states, are imprecise or unclear in some states, and can change frequently. In the future, states could coordinate their efforts in order to more aggressively attempt to regulate or restrict schools' offering of online education.

In addition to Arizona, we have determined that our activities in certain states constitute a presence requiring licensure or authorization under the requirements of the state education agency in those states. In certain other states, we have obtained approvals to operate as we have determined necessary in connection with our marketing and recruiting activities. If we fail to comply with state licensing or authorization requirements for a state, or fail to obtain licenses or authorizations when required, we could lose our state licensure or authorization by that state or be subject to other sanctions, including restrictions on our activities in that state, fines, and penalties. The loss of licensure or authorization in a state other than Arizona could prohibit us from recruiting prospective students or offering educational services to current students in that state, which could significantly reduce our enrollments and revenues and materially adversely effect us.

State laws and regulations are not always precise or clear, and regulatory agencies may sometimes disagree with the way we have interpreted or applied these requirements. Any misinterpretation by us of these regulatory requirements or adverse changes in regulations or interpretations thereof by regulators could materially adversely affect us.

The inability of our graduates to obtain a professional license or certification in their chosen field of study could reduce our enrollments and revenues, and potentially lead to student claims against us that could be costly to us.

Many of our students, particularly those in our education and healthcare programs, seek a professional license or certification in their chosen fields following graduation. A student's ability to obtain a professional license or certification depends on several factors, including whether the institution and the student's program were accredited by a particular accrediting commission or approved by a professional association or by the state in which the student seeks employment. Additional factors are outside the control of the institution, such as the individual student's own background and qualifications. If one or more states refuse to recognize a significant number of our students for professional licensing or certification based on factors relating to our institution or programs, the potential growth of those programs would be negatively impacted and we could be exposed to claims or litigation by students or graduates based on their inability to obtain their desired professional license or certification, each of which could materially adversely affect us.

Increased scrutiny by various governmental agencies regarding relationships between student loan providers and educational institutions and their employees have produced significant uncertainty concerning restrictions applicable to the administration of the Title IV loan programs and the funding for those programs which, if not satisfactorily or timely resolved, could result in increased regulatory burdens and costs for us and could adversely affect our student enrollments.

During 2007 and 2008, student loan programs, including the Title IV programs, have come under increased scrutiny by the Department of Education, Congress, state attorneys general, and other parties. Issues that have received extensive attention include allegations of conflicts of interest between some institutions and lenders that provide Title IV loans, questionable incentives given by lenders to some schools and school employees, allegations of deceptive practices in the marketing of student loans, and schools leading students to use certain lenders. Several institutions and lenders have been cited for these problems and have paid several million dollars in the aggregate to settle those claims. The practices of numerous other schools and lenders are being examined by government agencies at the federal and state level. The Attorney General of the State of Arizona has previously requested extensive documentation and information from us and other institutions in Arizona concerning student loan practices, and we recently provided testimony in response to a subpoena from the Attorney General of the State of Arizona about such practices. While no penalties have been assessed against us, we do not know what the results of that investigation will be. As a result of this scrutiny, Congress has passed new laws, the Department of Education has enacted stricter regulations that take effect July 1, 2008, and several states have adopted codes of conduct or enacted state laws that further regulate the conduct of lenders, schools, and school personnel. These new laws and regulations, among other things, limit schools' relationships with lenders, restrict the types of services that schools may receive from lenders, prohibit lenders from providing other types of loans to students in exchange for Title IV loan volume from schools, require schools to provide additional information to students concerning institutionally preferred lenders, and significantly reduce the amount of federal payments to lenders who participate in the Title IV loan programs. The environment surrounding access to and cost of student loans remains in a state of flux, with reviews of many institutions and lenders still pending and with additional legislation and regulatory changes being actively considered at the federal and state levels. The uncertainty surrounding these issues, and any resolution of these issues that increases loan costs or reduces students' access to Title IV loans, may adversely affect our student enrollments, which could have an adverse effect on us.

Government agencies, regulatory agencies, and third parties may conduct compliance reviews, bring claims, or initiate litigation against us based on alleged violations of the extensive regulatory requirements applicable to us, which could require us to pay monetary damages, be sanctioned or limited in our operations, and expend significant resources to defend against those claims.

Because we operate in a highly regulated industry, we are subject to program reviews, audits, investigations, claims of non-compliance, and lawsuits by government agencies, regulatory agencies, students, stockholders, and other third parties alleging non-compliance with applicable legal requirements, many of which are imprecise and subject to interpretation. As we grow larger, this scrutiny of our business may increase. If the result of any such proceeding is unfavorable to us, we may lose or have limitations imposed on our state licensing, accreditation, or Title IV program participation; be required to pay monetary damages (including triple damages in certain whistleblower suits); or be subject to fines, injunctions, or other penalties, any of which could have a material adverse effect on our business, prospects, financial condition, and results of operations. Claims and lawsuits brought against us, even if they are without merit, may also result in adverse publicity, damage our reputation, negatively affect the market price of our stock, adversely affect our student enrollments, and reduce the willingness of third parties to do business with us. Even if we adequately address the issues raised by any such proceeding and successfully defend against it, we may have to devote significant financial and management resources to address these issues, which could harm our business.

A decline in the overall growth of enrollment in postsecondary institutions, or in the number of students seeking degrees in our core disciplines, could cause us to experience lower enrollment at our schools, which could negatively impact our future growth.

According to the NCES, enrollment in degree-granting, postsecondary institutions is projected to grow 15.5% over the ten-year period ending fall 2015 to approximately 20.2 million. This growth is slower than the 22.6% increase reported in the prior ten-year period ended in fall 2005, when enrollment increased from 14.3 million in 1995 to 17.5 million in 2005. In addition, according to the Western Interstate Commission for Higher Education, the number of high school graduates that are eligible to enroll in degree-granting, postsecondary institutions is expected to peak at approximately 3.3 million for the class of 2008, falling in the period between 2007-08 and 2013-14 by about 150,000 in total before resuming a growth pattern for the foreseeable future thereafter. In order to maintain current growth rates, we will need to attract a larger percentage of students in existing markets and expand our markets by creating new academic programs. In addition, if job growth in the fields related to our core disciplines is weaker than expected, including since the 2007 BLS report predicting strong job growth in these disciplines was completed, fewer students may seek the types of degrees that we offer. Our failure to attract new students, or the decisions by prospective students to seek degrees in other disciplines, would have an adverse impact on our future growth.

If our students were unable to obtain private loans from third-party lenders, our business could be adversely affected given our increasing reliance on such lenders as a source of net revenues.

During fiscal 2007, private loans to students at our school represented approximately 5.0% of our revenue (calculated on a cash basis), as compared to 3.1% of revenue in fiscal 2006 and 1.8% of revenue in fiscal

2005. These loans were provided pursuant to private loan programs and were made available to eligible students to fund a portion of the students' costs of education not covered by the Title IV programs and state financial aid sources. Private loans are made to our students by lending institutions and are non-recourse to us. Recent adverse market conditions for consumer and federally guaranteed student loans (including lenders' increasing difficulties in reselling or syndicating student loan portfolios) have resulted, and could continue to result, in providers of private loans reducing the availability of or increasing the costs associated with providing private loans to postsecondary students. In particular, loans to students with low credit scores who would not otherwise be eligible for credit-based private loans have become increasingly difficult to obtain. Prospective students may find that these increased financing costs make borrowing prohibitively expensive and abandon or delay enrollment in postsecondary education programs. If any of these scenarios were to occur, our students' ability to finance their education could be adversely affected and our student population could decrease, which could have a material adverse effect on our business, prospects, financial condition, and results of operations.

If any of the education regulatory agencies that regulate us do not approve or delay their approval of any transaction involving us that constitutes a "change in control," our ability to operate or participate in the Title IV programs may be impaired.

If we experience a change in control under the standards of the Department of Education, the Arizona State Board for Private Postsecondary Education, the Higher Learning Commission, or any other applicable state education agency or accrediting commission, we must notify or seek the approval of each such agency. These agencies do not have uniform criteria for what constitutes a change in control. Transactions or events that typically constitute a change in control include significant acquisitions or dispositions of the voting stock of an institution or its parent company, and significant changes in the composition of the board of directors of an institution or its parent company. Some of these transactions or events may be beyond our control. Our failure to obtain, or a delay in receiving, approval of any change in control from the Department of Education, the Arizona State Board for Private Postsecondary Education, or the Higher Learning Commission could impair our ability to operate or participate in the Title IV programs, which could have a material adverse effect on our business and financial condition. Our failure to obtain, or a delay in receiving, approval of any change in control from any other state in which we are currently licensed or authorized, or from any of our specialized accrediting commissions, could require us to suspend our activities in that state or suspend offering the applicable programs until we receive the required approval, or could otherwise impair our operations. The potential adverse effects of a change in control could influence future decisions by us and our stockholders regarding the sale, purchase, transfer, issuance, or redemption of our stock, which could discourage bids for your shares of our stock and could have an adverse effect on the market price of your shares.

We will notify or seek confirmation from the Department of Education, the Higher Learning Commission, the Arizona State Board for Private Postsecondary Education, and other applicable state education agencies and accrediting commissions, as we believe necessary, that this offering will not constitute a change in control under their respective standards.

We are subject to sanctions if we pay impermissible commissions, bonuses, or other incentive payments to persons involved in certain recruiting, admissions, or financial aid activities.

A school participating in the Title IV programs may not provide, or contract with a third party that provides, any commission, bonus, or other incentive payment based on success in enrolling students or securing financial aid to any person involved in student recruiting or admission activities or in making decisions regarding the awarding of Title IV program funds. The laws and regulations related to this requirement do not establish clear criteria for compliance in all circumstances, and in recent years several for-profit education companies have been faced with whistleblower lawsuits by former employees alleging violations of this prohibition. If we or any third parties we have engaged or engage in the future violate this law, we could be fined or sanctioned by the Department of Education, or subjected to other monetary penalties that could be substantial, any of which could harm our reputation, impose significant costs on us, and have a material adverse effect on our business, prospects, financial condition, and results of operations.

Our reputation and our stock price may be negatively affected by the actions of other postsecondary educational institutions.

In recent years, regulatory proceedings and litigation have been commenced against various postsecondary educational institutions relating to, among other things, deceptive trade practices, false claims against the government, and non-compliance with Department of Education requirements, state education laws, and state consumer protection laws. These proceedings have been brought by the Department of Education, the U.S. Department of Justice, the U.S. Securities and Exchange Commission, or SEC, and state governmental agencies, among others. These allegations have attracted adverse media coverage and have been the subject of legislative hearings and regulatory actions at both the federal and state levels, focusing not only on the individual schools but in some cases on the larger for-profit postsecondary education sector as a whole. Adverse media coverage regarding other for-profit education companies or other educational institutions could damage our reputation, result in lower enrollments, revenues, and operating profit, and have a negative impact on our stock price. Such coverage could also result in increased scrutiny and regulation by the Department of Education, Congress, accrediting commissions, state legislatures, state attorneys general, or other governmental authorities of all educational institutions, including us.

If the percentage of our revenue that is derived from the Title IV programs is too high, we may lose our eligibility to participate in those programs.

A for-profit institution loses its eligibility to participate in the Title IV programs if, under a formula that requires cash basis accounting and other adjustments to the calculation of revenue, it derives more than 90% of its revenues from those programs in any fiscal year. The period of ineligibility is at least the next succeeding fiscal year, and any Title IV funds already received by the institution and its students in that succeeding year would have to be returned to the applicable lender or the Department of Education. Using the Department of Education's formula for this test, we have calculated that, for our 2006 and 2007 fiscal years, we derived approximately 71.5% and 74.0%, respectively, of our revenues from the Title IV programs. Recent changes in federal law that increased Title IV grant and loan limits, and any additional increases in the future, may result in an increase in the revenues we receive from the Title IV programs, which could make it more difficult for us to satisfy this requirement. Exceeding the 90% threshold and losing our eligibility to participate in the Title IV programs for a fiscal year would have a material adverse effect on our business, prospects, financial condition, and results of operations.

We may lose our eligibility to participate in the Title IV programs if our student loan default rates are too high.

An institution may lose its eligibility to participate in some or all of the Title IV programs if, for three consecutive years, 25% or more of its students who were required to begin repayment on their student loans in one year default on their payment by the end of the following year. In addition, an institution may lose its eligibility to participate in some or all of the Title IV programs if the default rate of its students exceeds 40% for any single year. Congress is considering legislation that would extend the period for counting student defaults in an institution's default rate by one additional year, which if enacted is expected to increase the student loan default rates for most institutions. Any increase in interest rates or declines in income or job losses for our students could also contribute to higher default rates on student loans. Exceeding the student loan default rate thresholds and losing our eligibility to participate in the Title IV programs would have a material adverse effect on our business, prospects, financial condition, and results of operations. Any future changes in the formula for calculating student loan default rates, economic conditions, or other factors that cause our default rates to increase, could place us in danger of losing our eligibility to participate in some or all of the Title IV programs and materially adversely affect us.

We are subject to sanctions if we fail to correctly calculate and timely return Title IV program funds for students who withdraw before completing their educational program.

A school participating in the Title IV programs must calculate the amount of unearned Title IV program funds that it has disbursed to students who withdraw from their educational programs before completing such programs and must return those unearned funds to the appropriate lender or the Department of Education in a timely manner, generally within 45 days of the date the school determines that the student has withdrawn. If the unearned funds are not properly calculated and timely returned for a sufficient percentage of students, we may have to post a letter of credit in favor of the Department of Education equal to 25% of the Title IV funds that should have been returned for such students in the prior fiscal year, and we could be fined or otherwise sanctioned by the Department of Education, which could increase our cost of regulatory compliance and materially adversely affect us.

We cannot offer new programs, expand our operations into certain states, or acquire additional schools if such actions are not timely approved by the applicable regulatory agencies, and we may have to repay Title IV funds disbursed to students enrolled in any such programs, schools, or states if we do not obtain prior approval.

Our expansion efforts include offering new educational programs. In addition, we may increase our operations in additional states and seek to acquire existing schools from other companies. If we are unable to obtain the necessary approvals for such new programs, operations, or acquisitions from the Department of Education, the Higher Learning Commission, the Arizona State Board for Private Postsecondary Education, or any other applicable state education agency or accrediting commission, or if we are unable to obtain such approvals in a timely manner, our ability to consummate the planned actions and provide Title IV funds to any affected students would be impaired, which could have a material adverse effect on our expansion plans. If we were to determine erroneously that any such action did not need approval or had all required approvals, we could be liable for repayment of the Title IV program funds provided to students in that program or at that location.

Risks Related to Our Business

Our success depends, in part, on the effectiveness of our marketing and advertising programs in recruiting new students.

Building awareness of Grand Canyon University and the programs we offer is critical to our ability to attract prospective students. It is also critical to our success that we convert prospective students to enrolled students in a cost-effective manner and that these enrolled students remain active in our programs. Some of the factors that could prevent us from successfully recruiting, enrolling, and retaining students in our programs include:

- the reduced availability of, or higher interest rates and other costs associated with, Title IV loan funds or other sources of financial aid;
- the emergence of more successful competitors;
- factors related to our marketing, including the costs and effectiveness of Internet advertising and broad-based branding campaigns and recruiting efforts;
- performance problems with our online systems;
- failure to maintain institutional and specialized accreditations;
- the requirements of the education agencies that regulate us which restrict schools' initiation of new programs and modification of existing programs;
- the requirements of the education agencies that regulate us which restrict the ways schools can compensate their recruitment personnel;
- increased regulation of online education, including in states in which we do not have a physical presence;
- restrictions that may be imposed on graduates of online programs that seek certification or licensure in certain states;
- student dissatisfaction with our services and programs;
- adverse publicity regarding us, our competitors, or online or for-profit education generally;
- price reductions by competitors that we are unwilling or unable to match;
- a decline in the acceptance of online education;

- an adverse economic or other development that affects job prospects in our core disciplines; and
- a decrease in the perceived or actual economic benefits that students derive from our programs.

If we are unable to continue to develop awareness of Grand Canyon University and the programs we offer, and to recruit, enroll, and retain students, our enrollments would suffer and our ability to increase revenues and maintain profitability would be significantly impaired.

If we are unable to hire and train new and existing employees responsible for student recruitment, the effectiveness of our student recruiting efforts would be adversely affected.

In order to support our planned revenue growth we intend to hire, develop, and train a significant number of additional employees responsible for student recruitment and retain and continue to develop and train our current student recruitment personnel. Our ability to develop and maintain a strong student recruiting function may be affected by a number of factors, including our ability to integrate and motivate our enrollment counselors, our ability to effectively train our enrollment counselors, the length of time it takes new enrollment counselors to become productive, regulatory restrictions on the method of compensating enrollment counselors, and the competition in hiring and retaining enrollment counselors. If we are unable to hire, develop, and retain a sufficient number of qualified enrollment counselors, our ability to increase enrollments would be adversely affected.

We will incur increased costs as a result of being a public company, and the requirements of being a public company may divert management attention from our business.

As a public company, we will be subject to a number of additional requirements, including the reporting requirements of the Securities Exchange Act of 1934, as amended, or the Exchange Act, the Sarbanes-Oxley Act of 2002, or Sarbanes-Oxley Act and the listing standards of Nasdaq. These requirements will cause us to incur increased costs and might place a strain on our systems and resources. The Exchange Act requires, among other things, that we file annual, quarterly, and current reports with respect to our business and financial condition. The Sarbanes-Oxley Act requires, among other things, that we maintain effective disclosure controls and procedures and internal control over financial reporting, and also requires that our internal controls be assessed by management and attested to by our auditors as of December 31 of each year commencing with our year ending December 31, 2009. In order to maintain and improve the effectiveness of our disclosure controls and procedures and internal control over financial reporting, significant resources and management oversight will be required. As a result, our management's attention might be diverted from other business concerns, which could have a material adverse effect on our business, prospects, financial condition, and results of operations. Furthermore, we might not be able to retain our independent directors or attract new independent directors for our committees.

We have material weaknesses in our internal control over financial reporting. If we fail to develop or maintain an effective system of internal controls, we may not be able to accurately report our financial results or prevent fraud. As a result, current and potential stockholders could lose confidence in our financial reporting, which would harm our business and the trading price of our common stock.

During the preparation of our financial statements for 2005, 2006, and 2007, our management identified material weaknesses in our internal control over financial reporting, as defined in the standards established by the American Institute of Certified Public Accountants, that affected our financial statements for each of the years in the three-year period ended December 31, 2007. See "Management's Discussion and Analysis of Financial Condition and Results of Operations — Internal Control Over Financial Reporting."

The material weaknesses in our internal control over financial reporting during the past three years related principally to a lack of adequate personnel and procedures for recording certain purchased assets, expenses, leases, and equity instruments. We are in the process of remediating these material weaknesses, but have not yet been able to complete our remediation efforts. See "Management's Discussion and Analysis of Financial Condition and Results of Operations — Internal Control Over Financial Reporting." It will take additional time to design, implement, and test the controls and procedures required to enable our management to conclude that our internal control over financial reporting is effective. We cannot at this time estimate how long it will take to complete our remediation efforts. We cannot assure you that measures we plan to take will be effective in mitigating or preventing significant deficiencies or material weaknesses in our internal control over financial reporting. Any failure to maintain or implement required new or improved controls, or any difficulties we encounter in their implementation, could result in additional material weaknesses, cause us to fail to meet our periodic reporting obligations or result in material misstatements in our financial statements. Any such failure could also adversely affect the results of periodic management evaluations and annual auditor attestation reports regarding the effectiveness of our internal control over financial reporting that will be required when the SEC's rules under Section 404 of the Sarbanes-Oxley Act of 2002 become applicable to us beginning with our Annual Report on Form 10-K for the year ending December 31, 2009, to be filed in early 2010. The existence of a material weakness could result in errors in our financial statements that could result in a restatement of our financial statements, cause us to fail to meet our reporting obligations and cause investors to lose confidence in our reported financial information, leading to a decline in our stock price.

We operate in a highly competitive industry, and competitors with greater resources could harm our business.

The postsecondary education market is highly fragmented and competitive. We compete for students with traditional public and private two-year and four-year colleges and universities and other for-profit schools, including those that offer online learning programs. Many public and private schools, colleges, and universities, including most major colleges and universities, offer online programs. We expect to experience additional competition in the future as more colleges, universities, and for-profit schools offer an increasing number of online programs. Public institutions receive substantial government subsidies, and public and private non-profit institutions have access to government and foundation grants, tax-deductible contributions, and other financial resources generally not available to for-profit schools. Accordingly, public and private non-profit institutions may have instructional and support resources superior to those in the for-profit sector, and public institutions can offer substantially lower tuition prices. Some of our competitors in both the public and private sectors also have substantially greater financial and other resources than we do. We may not be able to compete successfully against current or future competitors and may face competitive pressures that could adversely affect our business, prospects, financial condition, and results of operations. These competitive factors could cause our enrollments, revenues, and profitability to significantly decrease. See "Business — Competition" for further information.

Capacity constraints or system disruptions to our online computer networks could have a material adverse effect on our ability to attract and retain students.

The performance and reliability of the infrastructure of our online operations are critical to our reputation and to our ability to attract and retain students. Any computer system disruption or failure, or a sudden and significant increase in traffic on the servers that host our online operations, may result in our online courses and programs being unavailable for a period of time. In addition, any significant failure of our computer networks or servers could disrupt our on-campus operations. Individual, sustained, or repeated occurrences could significantly damage the reputation of our online operations and result in a loss of potential or existing students. Additionally, our online operations are vulnerable to interruption or malfunction due to events beyond our control, including natural disasters and network and telecommunications failures. Our computer networks may also be vulnerable to unauthorized access, computer hackers, computer viruses, and other security problems. A user who circumvents security measures could misappropriate proprietary information or cause interruptions to or malfunctions in operations. As a result, we may be required to expend significant resources to protect against the threat of these security breaches or to alleviate problems caused by these incidents. Any interruption to our online operations could have a material adverse effect on our ability to attract students to our online programs and to retain those students.

We may not be able to successfully implement our growth strategy if we are not able to improve the content of our existing academic programs or to develop new programs on a timely basis and in a cost-effective manner, or at all.

We continually seek to improve the content of our existing programs and develop new programs in order to meet changing market needs. The success of any of our programs and courses, both ground and online, depends in part on our ability to expand the content of our existing programs, develop new programs in a cost-effective manner, and meet the needs of existing and prospective students and employers in a timely manner, as well as on the acceptance of our actions by existing or prospective students and employers. As of December 31, 2007, we offered 65 fully online programs, 17 of which we introduced in 2007 and many of which were based on our existing ground programs. In the future, we may develop programs solely, or initially, for online use, which may pose new challenges, including the need to develop course content without having an existing program on which such content can be based. Even if we are able to develop acceptable new programs, we may not be able to introduce these new programs in a timely fashion or as quickly as our competitors are able to introduce competing programs. If we do not respond adequately to changes in market conditions, our ability to attract and retain students could be impaired and our business, prospects, financial condition, and results of operations could suffer.

The development and approval of new programs and courses, both ground and online, are subject to requirements and limitations imposed by the Department of Education, state licensing agencies, and the relevant accrediting commissions, and in certain cases, such as with our newly approved doctoral program in education, involves a process that can take several years to complete. The imposition of restrictions on the initiation of new educational programs by any of our regulatory agencies, or delays in obtaining approvals of such programs, may delay our expansion plans. Establishing new academic programs or modifying existing academic programs may also require us to make investments in specialized personnel, increase marketing efforts, and reallocate resources. We may have limited experience with the subject matter of new programs.

If we are unable to expand our existing programs, offer new programs on a timely basis or in a cost-effective manner, or otherwise manage effectively the operations of newly established programs, our business, prospects, financial condition, and results of operations could be adversely affected.

Our failure to keep pace with changing market needs and technology could harm our ability to attract students.

Our success depends to a large extent on the willingness of employers to employ, promote, or increase the pay of our graduates. Increasingly, employers demand that their new employees possess appropriate technical and analytical skills and also appropriate interpersonal skills, such as communication, and teamwork skills. These skills can evolve rapidly in a changing economic and technological environment. Accordingly, it is important that our educational programs evolve in response to those economic and technological changes. The expansion of existing academic programs and the development of new programs may not be accepted by current or prospective students or by the employers of our graduates. Even if we are able to develop acceptable new programs, we may not be able to begin offering those new programs in a timely fashion or as quickly as our competitors offer similar programs. If we are unable to adequately respond to changes in market requirements due to regulatory or financial constraints, unusually rapid technological changes, or other factors, the rates at which our graduates obtain jobs in their fields of study could suffer, our ability to attract and retain students could be impaired, and our business, prospects, financial condition, and results of operations could be adversely affected.

If we do not maintain existing, and develop additional, relationships with employers, our future growth may be impaired.

We currently have relationships with large school districts and healthcare systems, primarily in Arizona, and also recently began seeking relationships with national and international employers, to provide their employees with the opportunity to obtain degrees through us while continuing their employment. These relationships are an important part of our strategy as they provide us with a steady source of potential working adult students for particular programs and also serve to increase our reputation among high-profile employers. If we are unable to develop new relationships, or if our existing relationships deteriorate or end, our efforts to seek these sources of potential working adult students will be impaired, and this could materially and adversely affect our business, prospects, financial condition, and results of operations.

Our failure to effectively manage our growth could harm our business.

Our business recently has experienced rapid growth. Growth and expansion of our operations may place a significant strain on our resources and increase demands on our executive management team, management information and reporting systems, financial management controls and personnel, and regulatory compliance systems and personnel. We may not be able to maintain or accelerate our current growth rate, effectively manage our expanding operations, or achieve planned growth on a timely or profitable basis. If we are unable to manage our growth effectively, we may experience operating inefficiencies and our earnings may be materially adversely affected.

Our success depends upon our ability to recruit and retain key personnel.

Our success to date has largely depended on, and will continue to depend on, the skills, efforts, and motivation of our executive officers, who generally have significant experience with our company and within the education industry. Our success also largely depends on our ability to attract and retain highly qualified faculty, school administrators, and additional corporate management personnel. We may have difficulties in locating and hiring qualified personnel and in retaining such personnel once hired. In addition, other than non-compete agreements of limited duration that we have with certain executive officers, we do not generally seek non-compete agreements with key personnel and they may leave and subsequently compete against us. The loss of the services of any of our key personnel, many of whom are not party to employment agreements with us, or our failure to attract and retain other qualified and experienced personnel on acceptable terms, could cause our business to suffer.

The protection of our operations through exclusive proprietary rights and intellectual property is limited, and from time to time we encounter disputes relating to our use of intellectual property of third parties, any of which could harm our operations and prospects.

In the ordinary course of our business we develop intellectual property of many kinds that is or will be the subject of copyright, trademark, service mark, patent, trade secret, or other protections. This intellectual property includes but is not limited to courseware materials and business know-how and internal processes and procedures developed to respond to the requirements of operating our business and to comply with the rules and regulations of various education regulatory agencies. We rely on a combination of copyrights, trademarks, service marks, trade secrets, domain names, and agreements to protect our intellectual property. We rely on service mark and trademark protection in the United States to protect our rights to the mark "Grand Canyon University," as well as distinctive logos and other marks associated with our services. We rely on agreements under which we obtain rights to use course content developed by faculty members and other third party content experts, as well as license agreements pursuant to which we license the right to brand certain of our program offerings. We cannot assure you that the measures that we take will be adequate or that we have secured, or will be able to secure, appropriate protections for all of our proprietary rights in the United States or select foreign jurisdictions, or that third parties will not infringe upon or violate our proprietary rights. Unauthorized third parties may attempt to duplicate or copy the proprietary aspects of our curricula, online resource material, and other content, and offer competing programs to ours.

In particular, we license the right to utilize the name of Ken Blanchard in connection with our business school and Executive MBA programs and have spent significant resources in related branding efforts. Nevertheless, our license agreement with Blanchard Education, LLC has a fixed term and may not necessarily be extended in the future. In addition, third parties may attempt to develop competing programs or copy aspects of our curriculum, online resource material, quality management, and other proprietary content. The termination of this license agreement, or attempts to compete with or duplicate our programs, if successful, could adversely affect our business. Protecting these types of intellectual property rights can be difficult, particularly as it relates to the development by our competitors of competing courses and programs.

We may from time to time encounter disputes over rights and obligations concerning intellectual property, and we may not prevail in these disputes. In certain instances, we may not have obtained sufficient rights in the content of a course. Third parties may raise a claim against us alleging an infringement or violation of the intellectual property of that third party. Some third-party intellectual property rights may be extremely broad, and it may not be possible for us to conduct our operations in such a way as to avoid those intellectual property rights. Any such intellectual property claim could subject us to costly litigation and impose a significant strain on our financial resources and management personnel regardless of whether such claim has merit, and we may be required to alter the content of our classes or pay monetary damages, which may be significant.

We are subject to laws and regulations as a result of our collection and use of personal information, and any violations of such laws or regulations, or any breach, theft, or loss of such information, could adversely affect our reputation and operations.

Possession and use of personal information in our operations subjects us to risks and costs that could harm our business. We collect, use, and retain large amounts of personal information regarding our applicants, students, faculty, staff, and their families, including social security numbers, tax return information, personal and family financial data, and credit card numbers. We also collect and maintain personal information of our employees in the ordinary course of our business. Our services can be accessed globally through the Internet. Therefore, we may be subject to the application of national privacy laws in countries outside the U.S. from which applicants and students access our services. Such privacy laws could impose conditions that limit the way we market and provide our services.

Our computer networks and the networks of certain of our vendors that hold and manage confidential information on our behalf may be vulnerable to unauthorized access, employee theft or misuse, computer hackers, computer viruses, and other security threats. Confidential information may also inadvertently become available to third parties when we integrate systems or migrate data to our servers following an acquisition of a school or in connection with periodic hardware or software upgrades.

Due to the sensitive nature of the personal information stored on our servers, our networks may be targeted by hackers seeking to access this data. A user who circumvents security measures could misappropriate sensitive information or cause interruptions or malfunctions in our operations. Although we use security and business controls to limit access and use of personal information, a third party may be able to circumvent those security and business controls, which could result in a breach of student or employee privacy. In addition, errors in the storage, use, or transmission of personal information could result in a breach of privacy for current or prospective students or employees. Possession and use of personal information in our operations also subjects us to legislative and regulatory burdens that could require notification of data breaches and restrict our use of personal information, and a violation of any laws or regulations relating to the collection or use of personal information could result in the imposition of fines against us. As a result, we may be required to expend significant resources to protect against the threat of these security breaches or to alleviate problems caused by these breaches. A major breach, theft, or loss of personal information regarding our students and their families or our employees that is held by us or our vendors, or a violation of laws or regulations relating to the same, could have a material adverse effect on our reputation and result in further regulation and oversight by federal and state authorities and increased costs of compliance.

We operate in a highly competitive market with rapid technological change, and we may not have the resources needed to compete successfully.

Online education is a highly competitive market that is characterized by rapid changes in students’ technological requirements and expectations and evolving market standards. Our competitors vary in size and organization, and we compete for students with traditional public and private two-year and four-year colleges and universities and other for-profit schools, including those that offer online learning programs. Each of these competitors may develop platforms or other technologies, including technologies such as streaming video, that allow for greater levels of interactivity between faculty and students, that are superior to the platform and technology we use, and these differences may affect our ability to recruit and retain students. We may not have the resources necessary to acquire or compete with technologies being developed by our competitors, which may render our online delivery format less competitive or obsolete.

At present we derive a significant portion of our revenues and operating income from our graduate programs.

As of December 31, 2007, approximately 62% of our students were graduate students. Although we anticipate that this percentage will decline over time due as a result of our planned growth emphasis in our undergraduate business and liberal arts programs, if we were to experience any event that adversely affected our graduate offerings or the attractiveness of our programs to prospective graduate students, our business, prospects, financial condition, and results of operations could be significantly and adversely affected.

We may incur liability for the unauthorized duplication or distribution of class materials posted online for class discussions.

In some instances, our faculty members or our students may post various articles or other third-party content on class discussion boards. Third parties may raise claims against us for the unauthorized duplication of material posted online for class discussions. Any such claims could subject us to costly litigation and impose a significant strain on our financial resources and management personnel regardless of whether the claims have merit. Our general liability insurance may not cover potential claims of this type adequately or at all, and we may be required to alter the content of our courses or pay monetary damages, which may be significant.

We use third-party software for our online classroom, and if the provider of that software were to cease to do business or was acquired by a competitor, we may have difficulty maintaining the software required for our online classroom or updating it for future technological changes, which could adversely affect our performance.

Our online classroom employs the ANGEL Learning Management Suite pursuant to a license from ANGEL Learning, Inc. The ANGEL system is a web-based portal that stores, manages, and delivers course content; enables assignment uploading; provides interactive communication between students and faculty; and supplies online evaluation tools. We rely on ANGEL Learning, Inc. for administrative support of the ANGEL system and, if ANGEL Learning, Inc. ceased to operate or was unable or unwilling to continue to provide us with services or upgrades on a timely basis, we may have difficulty maintaining the software required for our online classroom or updating it for future technological changes. Any failure to maintain our online classroom would have an adverse impact on our operations, damage our reputation, and limit our ability to attract and retain students.

Seasonal and other fluctuations in our results of operations could adversely affect the trading price of our common stock.

Our net revenue and operating results normally fluctuate as a result of seasonal variations in our business, principally due to changes in enrollment, and are typically lowest in our second fiscal quarter and highest in our fourth fiscal quarter. Accordingly, our results in any quarter may not indicate the results we may achieve in any subsequent quarter or for the full year. Student population varies as a result of new enrollments, graduations, and student attrition. A significant portion of our general and administrative expenses do not vary proportionately with fluctuations in revenues. We expect quarterly fluctuations in operating results to continue as a result of seasonal enrollment patterns. Such patterns may change, however, as a result of new program introductions, the timing of colloquia and events, and increased enrollments of students. These fluctuations may result in volatility or have an adverse effect on the market price of our common stock.

We only recently began operating as a for-profit company and have a limited operating history as a for-profit company. Accordingly, our historical and recent financial and business results may not necessarily be representative of what they will be in the future.

We have only operated as a for-profit company with private ownership interests since February 2004. We have a limited operating history as a for-profit business on which you can evaluate our management decisions, business strategy, and financial results. Moreover, until October 2006, we operated under various Department of Education limitations on our growth and activities. As a result, our historical and recent financial and business results may not necessarily be representative of what they will be in the future. We are subject to risks, uncertainties, expenses, and difficulties associated with changing and implementing our business strategy that are not typically encountered by established for-profit companies. As a result, we may not be able to operate effectively as a for-profit corporation. It is possible that we may incur significant operating losses in the future and that we may not be able to achieve or sustain long-term profitability.

Our current success and future growth depend on the continued acceptance of the Internet and the corresponding growth in users seeking educational services on the Internet.

Our business relies in part on the Internet for its success. A number of factors could inhibit the continued acceptance of the Internet and adversely affect our profitability, including:

- inadequate Internet infrastructure;
- security and privacy concerns;
- the unavailability of cost-effective Internet service and other technological factors; and
- changes in government regulation of Internet use.

If Internet use decreases, or if the number of Internet users seeking educational services on the Internet does not increase, our business may not grow as planned.

Government regulations relating to the Internet could increase our cost of doing business, affect our ability to grow or otherwise have a material adverse effect on our business.

The increasing popularity and use of the Internet and other online services has led and may lead to the adoption of new laws and regulatory practices in the United States or foreign countries and to new interpretations of existing laws and regulations. These new laws and interpretations may relate to issues such as online privacy, copyrights, trademarks and service marks, sales taxes, fair business practices, and the requirement that online education institutions qualify to do business as foreign corporations or be licensed in one or more jurisdictions where they have no physical location or other presence. New laws and regulations or interpretations thereof related to doing business over the Internet could increase our costs and materially and adversely affect our business, prospects, financial condition, and results of operations.

A reclassification of our online faculty by federal or state authorities from independent contractor to employee status could materially increase our costs.

A majority of our faculty at December 31, 2007 were online faculty, whom we treat as independent contractors. Because we classify our online faculty as independent contractors, we do not withhold federal or state income or other employment-related taxes, make federal or state unemployment tax or Federal Insurance Contributions Act, or FICA, payments or provide workers’ compensation insurance with respect to our online faculty. The determination of whether online faculty members are properly classified as independent contractors or as employees is based upon the facts and circumstances of our relationship with our online faculty members. Federal or state authorities may challenge our classification as incorrect and assert that our online faculty members must be classified as employees. In the event that we were to reclassify our online faculty as employees, we would be required to withhold the appropriate taxes, make unemployment tax and FICA payments, and pay for workers’ compensation insurance and additional payroll processing costs. If we had reclassified our online faculty members as employees for 2007, we estimate our additional tax, workers’ compensation insurance, and payroll processing payments would have been approximately $1.2 million for that year. The amount of additional tax and insurance payments would increase in the future as the total amount we pay to online faculty increases. In addition to these known costs, we could be subject to retroactive taxes and penalties, which may be significant, by federal and state authorities, which could adversely affect our business, prospects, financial condition, and results of operations.

We may incur significant costs complying with the Americans with Disabilities Act and similar laws.

Under the Americans with Disabilities Act of 1990, or the ADA, all public accommodations must meet federal requirements related to access and use by disabled persons. Additional federal, state, and local laws also may require modifications to our properties, or restrict our ability to renovate our properties. For example, the Fair Housing Amendments Act of 1988, or FHAA, requires apartment properties first occupied after March 13, 1990 to be accessible to the handicapped. We have not conducted an audit or investigation of all of our properties to determine our compliance with present requirements. Noncompliance with the ADA or FHAA could result in the imposition of fines or an award or damages to private litigants and also could result in an order to correct any non-complying feature. We cannot predict the ultimate amount of the cost of compliance with the ADA, FHAA, or other legislation. If we incur substantial costs to comply with the ADA, FHAA, or any other legislation, we could be materially and adversely affected.

Our failure to comply with environmental laws and regulations governing our activities could result in financial penalties and other costs.

We use hazardous materials at our ground campus and generate small quantities of waste, such as used oil, antifreeze, paint, car batteries, and laboratory materials. As a result, we are subject to a variety of environmental laws and regulations governing, among other things, the use, storage, and disposal of solid and hazardous substances and waste, and the clean-up of contamination at our facilities or off-site locations to which we send or have sent waste for disposal. In the event we do not maintain compliance with any of these laws and regulations, or are responsible for a spill or release of hazardous materials, we could incur significant costs for clean-up, damages, and fines, or penalties which could adversely impact our business, prospects, financial condition, and results of operations.

If we expand in the future into new markets outside the United States, we would be subject to risks inherent in non-domestic operations.

If we acquire schools or establish programs in new markets outside the United States, we will face risks that are inherent in non-domestic operations, including the complexity of operations across borders, new regulatory regimes, currency exchange rate fluctuations, monetary policy risks, such as inflation, hyperinflation and deflation, and potential political and economic instability in the countries into which we expand.

Our failure to obtain additional capital in the future could adversely affect our ability to grow.

We believe that the proceeds from this offering being retained by us, funds from operations, cash, and investments will be adequate to fund our current operating and growth plans for the foreseeable future. However, we may need additional financing in order to finance our continued growth, particularly if we pursue any acquisitions. The amount, timing, and terms of such additional financing will vary principally depending on the timing and size of new program offerings, the timing and size of acquisitions we may seek to consummate, and the amount of cash flows from our operations. To the extent that we require additional financing in the future, such financing may not be available on terms acceptable to us or at all, and, consequently, we may not be able to fully implement our growth strategy.

If we are not able to integrate acquired schools, our business could be harmed.

From time to time, we may pursue acquisitions of other schools. Integrating acquired operations into our institution involves significant risks and uncertainties, including:

- inability to maintain uniform standards, controls, policies, and procedures;
- distraction of management’s attention from normal business operations during the integration process;
- inability to obtain, or delay in obtaining, approval of the acquisition from the necessary regulatory agencies, or the imposition of operating restrictions or a letter of credit requirement on us or on the acquired school by any of those regulatory agencies;
- expenses associated with the integration efforts; and
- unidentified issues not discovered in our due diligence process, including legal contingencies.

If we complete one or more acquisitions and are unable to integrate acquired operations successfully, our business could suffer.

Risks Related to the Offering

There is no existing market for our common stock, and we do not know if one will develop to provide you with adequate liquidity.

Immediately prior to this offering, there has been no public market for our common stock. An active and liquid public market for our common stock may not develop or be sustained after this offering. The price of our common stock in any such market may be higher or lower than the price you pay. If you purchase shares of common stock in this offering, you will pay a price that was not established in a competitive market. Rather, you will pay the price that we negotiated with the representatives of the underwriters and such price may not be indicative of prices that will prevail in the open market following this offering.

The price of our common stock may fluctuate significantly, and you could lose all or part of your investment.

Volatility in the market price of our common stock may prevent you from being able to sell your shares at or above the price you paid for your shares. The market price of our common stock could fluctuate significantly for various reasons, which include:

- our quarterly or annual earnings or earnings of other companies in our industry;
- the public's reaction to our press releases, our other public announcements, and our filings with the SEC;
- changes in earnings estimates or recommendations by research analysts who track our common stock or the stocks of other companies in our industry;
- changes in our number of enrolled students;
- new laws or regulations or new interpretations of laws or regulations applicable to our business;
- seasonal variations in our student population;
- the availability and cost of Title IV funds, other student financial aid, and private loans;
- the failure to maintain or keep in good standing our regulatory approvals and accreditations;
- changes in accounting standards, policies, guidance, interpretations, or principles;
- changes in general conditions in the U.S. and global economies or financial markets, including those resulting from war, incidents of terrorism, or responses to such events;
- an adverse economic or other development that affects job prospects in our core disciplines;
- litigation involving our company or investigations or audits by regulators into the operations of our company or our competitors; and
- sales of common stock by our directors, executive officers, and significant stockholders.

In addition, in recent years, the stock market has experienced extreme price and volume fluctuations. This volatility has had a significant impact on the market price of securities issued by many companies, including companies in our industry. The changes frequently appear to occur without regard to the operating performance of these companies. The price of our common stock could fluctuate based upon factors that have little or nothing to do with our company, and these fluctuations could materially reduce our stock price.

Our executive officers, directors, and principal existing stockholders will continue to own a large percentage of our voting stock after this offering, which may allow them to collectively control substantially all matters requiring stockholder approval and, in the case of certain of our principal stockholders, will have other unique rights that may afford them access to our management.

Our directors, executive officers, and principal existing stockholders will beneficially own approximately shares, or %, of our common stock upon the completion of this offering. Our directors and executive officers will beneficially own in the aggregate approximately shares, or %, of our common stock after the offering, including approximately shares, or %, of our common stock that will be beneficially owned by Brent Richardson and Chris Richardson and their affiliates. In addition, pursuant to a voting agreement to be entered into among the Richardsons and certain of our existing stockholders, the Richardsons will have voting control over approximately % or our common stock after the offering. Accordingly, the Richardsons could control us through their ability to determine the outcome of the election of our directors, to amend our certificate of incorporation and bylaws, to take other actions requiring the vote or consent of stockholders, including mergers, going private transactions, and other extraordinary transactions, and to make decisions concerning the terms of any of these transactions. The ownership and voting positions of these stockholders may have the effect of delaying, deterring, or preventing a change in control or a change in the composition of our board of directors. These stockholders may also use their contractual rights, including access to management, and their large ownership position to address their own interests, which may be different from those of our other stockholders, including investors in this offering.

Your percentage ownership in us may be diluted by future issuances of capital stock, which could reduce your influence over matters on which stockholders vote.

Following the completion of this offering, our board of directors has the authority, without action or vote of our stockholders, to issue all or any part of our authorized but unissued shares of common stock, including shares issuable upon the exercise of options, shares that may be issued to satisfy our payment obligations under our incentive plans, or shares of our authorized but unissued preferred stock. Issuances of common stock or voting preferred stock would reduce your influence over matters on which our stockholders vote, and, in the case of issuances of preferred stock, likely would result in your interest in us being subject to the prior rights of holders of that preferred stock.

The sale of a substantial number of shares of our common stock after this offering may cause the market price of shares of our common stock to decline.

Sales of our common stock by existing investors may begin shortly after the completion of this offering. Sales of a substantial number of shares of our common stock in the public market following this offering, or the perception that these sales could occur, could cause the market price of our common stock to decline. The shares of our common stock outstanding prior to this offering will be eligible for sale in the public market at various times in the future. All of our directors, executive officers, and stockholders agreed with the underwriters, subject to certain exceptions, not to dispose of or hedge any of their common stock or securities convertible into or exchangeable for shares of common stock until 180 days after the date of this prospectus, except with the prior written consent of the representatives identified in the section of this prospectus entitled “Underwriting.” Upon expiration of this lock-up period, up to approximately additional shares of common stock may be eligible for sale in the public market without restriction, and up to approximately shares of common stock held by affiliates may become eligible for sale, subject to the restrictions under Rule 144 of the Securities Act of 1933, as amended, or the Securities Act.

You will incur immediate and substantial dilution in the net tangible book value of your shares.

If you purchase shares in this offering, the value of your shares based on our actual book value will immediately be less than the price you paid. This reduction in the value of your equity is known as dilution. This dilution occurs in large part because our earlier investors paid substantially less than the initial public offering price when they purchased their shares of our common stock. Based upon the issuance and sale of shares of our common stock by us in this offering at an assumed initial public offering price of $ per share, the midpoint of the price range set forth on the cover page of this prospectus, you will incur immediate dilution of $ in the net tangible book value per share. A $1.00 increase or decrease in the assumed initial public offering price of $ per share would increase or decrease, as applicable, our as adjusted net tangible book value per share of common stock by $, and increase or decrease, as applicable, the dilution per share of common stock to new investors by $, assuming the number of shares offered by us, as set forth on the cover page of this prospectus, remains the same, after deducting the estimated underwriting discounts and commissions and estimated offering expenses payable by us and after payment of the special distribution to our existing stockholders. If the underwriters exercise their over-allotment option, or if outstanding options to purchase our common stock are exercised, investors will experience additional dilution. For more information, see “Dilution.”

Provisions in our charter documents and the Delaware General Corporation Law could make it more difficult for a third party to acquire us and could discourage a takeover and adversely affect existing stockholders.

Anti-takeover provisions of our certificate of incorporation, bylaws, the Delaware General Corporation Law, or DGCL, and regulations of state and federal education agencies could diminish the opportunity for stockholders to participate in acquisition proposals at a price above the then-current market price of our common stock. For example, while we have no present plans to issue any preferred stock, our board of directors, without further stockholder approval, may issue shares of undesignated preferred stock and fix the powers, preferences, rights, and limitations of such class or series, which could adversely affect the voting power of your shares. In addition, our bylaws provide for an advance notice procedure for nomination of candidates to our board of directors that could have the effect of delaying, deterring, or preventing a change in control. Further, as a Delaware corporation, we are subject to provisions of the DGCL regarding "business combinations," which can deter attempted takeovers in certain situations. The approval requirements of the Department of Education, our regional accrediting commission, and state education agencies for a change in control transaction could also delay, deter, or prevent a transaction that would result in a change in control. We may, in the future, consider adopting additional anti-takeover measures. The authority of our board to issue undesignated preferred or other capital stock and the anti-takeover provisions of the DGCL, as well as other current and any future anti-takeover measures adopted by us, may, in certain circumstances, delay, deter, or prevent takeover attempts and other changes in control of the company not approved by our board of directors. See "Description of Capital Stock" for further information.

We currently do not intend to pay dividends on our common stock and, consequently, your only opportunity to achieve a return on your investment is if the price of our common stock appreciates.

After we make the special distribution to our existing stockholders using the proceeds of this offering as described under "Use of Proceeds," we do not expect to pay dividends on shares of our common stock in the foreseeable future and intend to use cash to grow our business. The payment of cash dividends in the future, if any, will be at the discretion of our board of directors and will depend upon such factors as earnings levels, capital requirements, our overall financial condition, and any other factors deemed relevant by our board of directors. Consequently, your only opportunity to achieve a positive return on your investment in us will be if the market price of our common stock appreciates.

We will have broad discretion in applying the net proceeds of this offering and may not use those proceeds in ways that will enhance the market value of our common stock.

We have significant flexibility in applying the net proceeds we will receive in this offering. We intend to use a substantial portion of the proceeds that we receive from the sale of stock in this offering to fund the special distribution payable to our existing stockholders and to use the remainder to redeem an outstanding warrant to purchase shares of our common stock and to pay the expenses of this offering and for general corporate purposes. As part of your investment decision, you will not be able to assess or direct how we apply these net proceeds. If we do not apply these funds effectively, we may lose significant business opportunities. Furthermore, our stock price could decline if the market does not view our use of the net proceeds from this offering favorably.

FORWARD-LOOKING STATEMENTS

This prospectus contains “forward-looking statements,” which include information relating to future events, future financial performance, strategies, expectations, competitive environment, regulation, and availability of resources. These forward-looking statements include, without limitation, statements regarding: proposed new programs; expectations that regulatory developments or other matters will not have a material adverse effect on our financial position, results of operations, or liquidity; statements concerning projections, predictions, expectations, estimates, or forecasts as to our business, financial and operational results, and future economic performance; and statements of management’s goals and objectives and other similar expressions concerning matters that are not historical facts. Words such as “may,” “should,” “could,” “would,” “predicts,” “potential,” “continue,” “expects,” “anticipates,” “future,” “intends,” “plans,” “believes,” “estimates” and similar expressions, as well as statements in future tense, identify forward-looking statements.

Forward-looking statements should not be read as a guarantee of future performance or results, and will not necessarily be accurate indications of the times at, or by, which such performance or results will be achieved. Forward-looking statements are based on information available at the time those statements are made or management’s good faith belief as of that time with respect to future events, and are subject to risks and uncertainties that could cause actual performance or results to differ materially from those expressed in or suggested by the forward-looking statements. Important factors that could cause such differences include, but are not limited to:

- our failure to comply with the extensive regulatory framework applicable to our industry, including Title IV of the Higher Education Act and the regulations thereunder, state laws and regulatory requirements, and accrediting commission requirements;
- the ability of our students to obtain federal Title IV funds, state financial aid, and private financing;
- risks associated with changes in applicable federal and state laws and regulations and accrediting commission standards;
- our ability to hire and train new, and develop and train existing, enrollment counselors;
- the pace of growth of our enrollment;
- our ability to convert prospective students to enrolled students and to retain active students;
- our success in updating and expanding the content of existing programs and developing new programs in a cost-effective manner or on a timely basis;
- industry competition;
- risks associated with the competitive environment for marketing our programs;
- failure on our part to keep up with advances in technology that could enhance the online experience for our students;
- our ability to manage future growth effectively;
- general adverse economic conditions or other developments that affect job prospects in our core disciplines; and
- other factors discussed under the headings “Risk Factors,” “Management’s Discussion and Analysis of Financial Condition and Results of Operations,” “Business,” and “Regulation.”

Forward-looking statements speak only as of the date the statements are made. You should not put undue reliance on any forward-looking statements. We assume no obligation to update forward-looking statements to reflect actual results, changes in assumptions, or changes in other factors affecting forward-looking information, except to the extent required by applicable securities laws. If we do update one or more forward-looking statements, no inference should be drawn that we will make additional updates with respect to those or other forward-looking statements.

USE OF PROCEEDS

The net proceeds from the sale of shares of our common stock offered by us in this offering will be approximately $ million (or approximately $ million if the underwriters exercise their over-allotment option in full), assuming an initial public offering price of $ per share, which is the midpoint of the range set forth on the cover page of this prospectus, and after deducting the underwriting discounts and commissions and estimated offering expenses payable by us.

We will declare a special distribution equal to % of the gross proceeds of this offering that will be payable promptly upon the completion of this offering to our stockholders of record as of , 2008. We will make this distribution upon completion of the offering. See “Special Distribution” for further information.

In 2004, we issued a warrant to purchase shares of our common stock in connection with a sale-leaseback transaction we entered into relating to our ground campus. Under the original terms of the warrant, we were entitled to repurchase the warrant for an aggregate price of $16.0 million. Under an amendment to the warrant that was effected in connection with our 2005 conversion from a limited liability company to a corporation, the right to repurchase the warrant, as well as a right to repurchase any shares issued upon exercise of the warrant, in each case for $16.0 million, was transferred to a holding company whose sole purpose was to hold the equity interests of all of our members at the time of conversion. In connection with this offering, if such investors do not exercise such right, then we may exercise the right to repurchase the warrant or the underlying shares. We intend to use up to $16.0 million of the gross proceeds of this offering to repurchase any portion of the warrant or the underlying shares not purchased by such investors.

We intend to use the remaining proceeds and any proceeds we receive from the underwriters’ exercise of their over-allotment option to pay the expenses of this offering and for general corporate purposes.

Each $1.00 increase or decrease in the assumed public offering price of $ per share would increase or decrease, as applicable, the aggregate amount of the special distribution by $ million, the per share amount of the special distribution by $ on an as-if converted basis and the net proceeds to us by approximately $ million, assuming the number of shares offered by us, as set forth on the cover page of this prospectus, remains the same and, with respect to the net proceeds to us, after deducting estimated underwriting discounts and commissions and estimated offering expenses payable by us. Similarly, any increase or decrease in the number of shares that we sell in the offering will increase or decrease the special distribution and our net proceeds in proportion to such increase or decrease, as applicable, multiplied by the offering price per share, with respect to our net proceeds, less underwriting discounts and commissions and offering expenses.

SPECIAL DISTRIBUTION

We intend to declare a special distribution equal to % of the gross proceeds of this offering that will be paid promptly upon the completion of this offering to our stockholders of record as of , 2008. Of the estimated aggregate amount of the special distribution of $ million, assuming an initial public offering price of $ per share, which is the midpoint of the price range set forth on the cover of this prospectus, $ million will be paid in respect of shares of our capital stock over which our directors and executive officers as a group are deemed to exercise sole or shared voting or investment power. These proceeds will be allocated as set forth in the following table.

	Special Distribution
Directors	
Chad N. Heath(1)	$
D. Mark Dorman(1)	$
Executive Officers	
Brent D. Richardson	$
John E. Crowley	$
Christopher C. Richardson	$
All directors and executive officers as a group	$

(1) Represents shares owned by Endeavour Capital Fund IV, L.P. and certain affiliated funds. D. Mark Dorman and Chad N. Heath, two of our directors, are managing directors of Endeavour Capital IV, LLC, the general partner of such funds.

See “Certain Relationships and Related Transactions — Special Distribution” for additional information regarding the beneficiaries of the special distribution.

DIVIDEND POLICY

Except as described under “Special Distribution” above, we do not anticipate declaring or paying any cash dividends on our common stock in the foreseeable future. The payment of any dividends in the future will be at the discretion of our board of directors and will depend upon our financial condition, results of operations, earnings, capital requirements, contractual restrictions, outstanding indebtedness, and other factors deemed relevant by our board. As a result, you will need to sell your shares of common stock to realize a return on your investment, and you may not be able to sell your shares at or above the price you paid for them.

CAPITALIZATION

The following table sets forth our capitalization as of December 31, 2007:

- on an actual basis;
- on a pro forma basis, giving effect to:
  - (i) the automatic conversion of all outstanding shares of Series A preferred stock into 5,953 shares of common stock upon the closing of the offering;
  - (ii) the automatic conversion of all outstanding shares of Series C preferred stock into shares of common stock upon the closing of the offering at a conversion rate equal to their liquidation preference per share divided by the initial public offering price per share, which is estimated to be $ per share, which is the midpoint of the range set forth on the cover page of this prospectus;
  - (iii) the cancellation in April 2008 of a warrant to purchase common stock issued to our former owner in connection with our acquisition of Grand Canyon University; and
  - (iv) the issuance in May 2008 of 200 shares of common stock to Blanchard Education, LLC under the terms of a license agreement, as amended, between us and Blanchard Education, LLC relating to the naming of, and other rights associated with, the Ken Blanchard College of Business; and
- on a pro forma, as adjusted basis, giving effect to the pro forma adjustments above, as well as:
  - (i) our sale of shares of our common stock in this offering (at an assumed initial public offering price of $ per share, which is the midpoint of the range set forth on the cover page of this prospectus and after deducting underwriting discounts and commissions and estimated offering expenses payable by us);
  - (ii) the payment of a special distribution to our existing stockholders in the amount of % of the anticipated gross proceeds from the sale of common stock by us in this offering, which is expected to occur promptly upon the consummation of this offering;
  - (iii) the repurchase by us of an outstanding warrant to purchase common stock for up to $16.0 million in cash as described in “Use of Proceeds;” and
  - (iv) the amendment and restatement of our certificate of incorporation in connection with the closing of this offering, which will increase our authorized capital stock.

You should read this table together with "Use of Proceeds," "Management's Discussion and Analysis of Financial Condition and Results of Operations," "Description of Capital Stock," and our financial statements and related notes included elsewhere in this prospectus.

	As of December 31, 2007		
	Actual	Pro Forma	Pro Forma, as Adjusted
	(In thousands, except share data)		
Cash and cash equivalents(1)	$ 23,210	$	$
Capital lease obligations	29,228	$	$
Other indebtedness	8,408	$	$
Series A preferred stock: $0.01 par value; 9,700 shares authorized, 5,953 shares issued and outstanding, actual; no shares authorized, issued, and outstanding, pro forma and pro forma, as adjusted	18,610		
Series B preferred stock: $0.01 par value; 2,200 shares authorized, no shares issued and outstanding, actual; no shares authorized, issued, and outstanding, pro forma and pro forma, as adjusted	—		
Series C preferred stock: $0.01 par value; 3,900 shares authorized, 3,829 shares issued and outstanding, actual; no shares authorized, issued, and outstanding, pro forma and pro forma, as adjusted	13,338		
Stockholders' equity:			
Undesignated preferred stock: $0.01 par value; no shares authorized, issued and outstanding, actual and pro forma; shares authorized, no shares issued and outstanding, pro forma, as adjusted	—		
Common stock: $0.01 par value; 30,000 shares authorized, 10,325 shares issued and outstanding, actual; 30,000 shares authorized, shares issued and outstanding, pro forma; shares authorized, shares issued and outstanding pro forma, as adjusted	—		
Additional paid-in capital(1)	7,511		
Accumulated other comprehensive income	80		
Accumulated equity (deficit)	(15,383)		
Total stockholders' equity (deficit)	(7,792)		
Total capitalization	$ 61,792	$	$

(1) A $1.00 increase or decrease in the assumed initial public offering price per share would increase or decrease cash, cash equivalents, and short-term marketable securities by $ million, would increase or decrease additional paid-in capital by $ million, and would increase or decrease total stockholders' equity and total capitalization by $ million, after deducting the underwriting discount, the repurchase of the warrant described in the introductory paragraph to this table, the payment of a special distribution to our existing stockholders in the amount of % of the aggregate proceeds from the sale of common stock by us in this offering, and the estimated offering expenses payable by us. Similarly, any increase or decrease in the number of shares that we sell in the offering will increase or decrease our net proceeds in proportion to such increase or decrease, as applicable, multiplied by the offering price per share, less underwriting discounts and commissions and offering expenses.

DILUTION

Purchasers of the common stock in the offering will suffer an immediate and substantial dilution in net tangible book value per share. Dilution is the amount by which the initial public offering price paid by purchasers of shares of our common stock exceeds the net tangible book value per share of our common stock after the offering.

As of December 31, 2007, our pro forma net tangible book value would have been $ million or, $ per share. Pro forma net tangible book value per share represents the amount of our total tangible assets reduced by our total liabilities, divided by the number of shares of common stock outstanding after giving effect to the issuance of 200 shares of common stock to Blanchard Education, LLC and conversion of all outstanding classes of preferred stock into common stock.

Pro forma as adjusted net tangible book value per share represents the amount of total tangible assets reduced by our total liabilities, divided by the number of shares of common stock outstanding after giving effect to the issuance of 200 shares of common stock to Blanchard Education, LLC, the conversion of all outstanding classes of preferred stock into common stock, the repurchase of our outstanding warrant, the payment of the estimated amount of the special distribution to certain of our existing stockholders and the sale of shares of common stock in the offering at an initial public offering price of $, the midpoint of the price range set forth on the cover page of this prospectus. Our pro forma as adjusted net tangible book value as of December 31, 2007 would have been $ million, or $ per share. This represents an immediate decrease in net tangible book value of $ per share to existing stockholders and an immediate dilution of $ per share to new investors purchasing shares in the offering. The following table illustrates this per share dilution:

Assumed initial public offering price per share of common stock		$
Pro forma net tangible book value per share of common stock as of December 31, 2007	$	
Increase per share of common stock attributable to new investors		
Decrease per share of common stock after payment of underwriting discounts and commission and estimated offering expenses by us		
Decrease per share of common stock after repurchase of warrant		
Decrease per share of common stock after payment of the special distribution to certain of our existing stockholders		$
Pro forma as adjusted net tangible book value per share of common stock after this offering		
Dilution per share of common stock to new investors		$

Our pro forma as adjusted net tangible book value, and the dilution to new investors in the offering, will change from the amounts shown above if the underwriters' over-allotment option is exercised.

A $1.00 increase or decrease in the assumed initial public offering price of $ per share would increase or decrease, as applicable, our as pro forma adjusted net tangible book value per share of common stock by $, and increase or decrease, as applicable, the dilution per share of common stock to new investors by $, assuming the number of shares offered by us, as set forth on the cover page of this prospectus, remains the same, after deducting the estimated underwriting discounts and commissions and estimated offering expenses payable by us. Similarly, any increase or decrease in the number of shares that we sell in the offering will increase or decrease our net proceeds in proportion to such increase or decrease, as applicable, multiplied by the offering price per share, less underwriting discounts and commissions and offering expenses.

The following table sets forth, as of December 31, 2007, on the pro forma as-adjusted basis described above, the differences between existing stockholders and new investors with respect to the total number of shares of common stock purchased from us, the total consideration paid, and the average price per share paid before deducting underwriting discounts and commissions and estimated offering expenses payable by us, at an assumed initial public offering price of $ per share of common stock, which is the midpoint of the range set forth on the cover page of this prospectus:

	Shares Purchased		Total Consideration		Average Price Per Share
	Number	Percent	Amount (Dollars in thousands)	Percent	
Existing stockholders			$		$
New investors					$
Total			$		$

A $1.00 increase or decrease in the assumed initial public offering price of $ per share would increase or decrease, as applicable, total consideration paid by new investors, total consideration paid by all stockholders and average price per share paid by all stockholders by $ million, $ million and $, respectively, assuming the number of shares offered by us, as set forth on the cover page of this prospectus, remains the same. Similarly, any increase or decrease in the number of shares that we sell in the offering will increase or decrease our net proceeds in proportion to such increase or decrease, as applicable, multiplied by the offering price per share, less underwriting discounts and commissions and offering expenses. This table does not give effect to the payment of the special distribution to existing stockholders.

If the underwriters' over-allotment option is exercised in full, the number of shares held by existing stockholders after this offering would be , or %, and the number of shares held by new investors would increase to , or %, of the total number of shares of our common stock outstanding after this offering.

SELECTED FINANCIAL AND OTHER DATA

The following table sets forth selected financial and other data as of the dates and for the periods indicated. The selected statement of operations and other data, excluding period end enrollment, for the years ended December 31, 2005, 2006, and 2007, and the balance sheet data as of December 31, 2006 and 2007, have been derived from our audited financial statements, which are included elsewhere in this prospectus. The selected statement of operations and other data for the period from February 2, 2004 (date of inception) through December 31, 2004, and the selected balance sheet data as of December 31, 2004 and 2005 have been derived from our unaudited financial statements, which are not included in this prospectus. Our historical results are not necessarily indicative of our results for any future period.

You should read the following selected financial and other data in conjunction with "Management's Discussion and Analysis of Financial Condition and Results of Operations" and our financial statements and related notes included elsewhere in this prospectus.

	February 2, 2004 to December 31, 2004(1) (unaudited)	Year Ended December 31, 2005	2006	2007
	(In thousands, except enrollment, share, and per share data)			
Statement of Operations Data:				
Net revenue	$ 25,629	$ 51,793	$ 72,111	$ 99,327
Costs and expenses:				
Instructional costs and services	19,705	26,959	29,920	36,852
Selling and promotional	9,735	13,758	19,355	33,480
General and administrative	10,828	12,424	15,326	18,385
Royalty to former owner	448	1,619	2,678	3,782
Total costs and expenses	40,716	54,760	67,279	92,499
Operating income (loss)	(15,087)	(2,967)	4,832	6,828
Interest expense	(1,135)	(3,016)	(2,909)	(3,070)
Interest income	10	276	912	1,172
Income (loss) before income taxes	(16,212)	(5,707)	2,835	4,930
Income tax expense (benefit)(2)	—	(1,894)	1,184	1,939
Net income (loss)	(16,211)	(3,813)	1,651	2,991
Preferred dividends	—	—	(527)	(349)
Net income available (loss attributable) to common stockholders	$ (16,211)	$ (3,813)	$ 1,124	$ 2,642
Earnings (loss) per common share				
Basic	N/A	$ (377)	$ 109	$ 255
Diluted	N/A	$ (377)	$ 82	$ 159
Shares used in computing earnings (loss) per common share				
Basic	N/A	10,115	10,325	10,342
Diluted	N/A	10,115	20,107	18,860
Other Data:				
Net cash provided by (used in) operating activities	$ (6,552)	$ (6,972)	$ 6,800	$ 7,107
Capital expenditures	$ 24,376	$ 817	$ 2,387	$ 7,410
Depreciation and amortization	$ 1,136	$ 1,879	$ 2,396	$ 3,269
Adjusted EBITDA(3)	$ (13,503)	$ 1,042	$ 10,864	$ 14,175
Period end enrollment:				
Online	3,141	6,212	8,406	12,497
Ground	1,852	2,210	2,256	2,257

	As of December 31,			
	2004	2005	2006	2007
	(In thousands)			
	(unaudited)	(unaudited)		
Balance Sheet Data:				
Cash and cash equivalents	$ 3,476	$ 2,579	$ 14,361	$ 23,210
Total assets	30,892	52,813	62,477	91,163
Capital lease obligations	24,055	24,056	29,728	29,228
Other indebtedness (including short-term indebtedness)	4,295	2,193	2,462	8,408
Preferred stock	—	25,590	21,390	31,948
Total stockholders'/members' deficit(2)	$ (7,645)	$ (11,638)	$ (10,479)	$ (7,792)

(1) On February 2, 2004, we acquired the assets of Grand Canyon University from a non-profit foundation and converted its operations from non-profit to for-profit status. While the university has continuously operated since 1949, for accounting and financial statement reporting purposes, we treat the date of acquisition and conversion to for-profit status as the date of inception of our business.

(2) On August 24, 2005, we converted from a limited liability company to a taxable corporation. For all periods subsequent to such date, we have been subject to corporate-level U.S. federal and state income taxes.

(3) Adjusted EBITDA is defined as net income (loss) plus interest expense net of interest income, plus income tax expense (benefit), and plus depreciation and amortization (EBITDA), as adjusted for (i) royalty payments incurred pursuant to an agreement with our former owner that has been terminated as of April 15, 2008, as discussed in "Management's Discussion and Analysis of Financial Condition and Results of Operations — Factors affecting comparability — Settlement with former owner" and Note 2 to our financial statements included with this prospectus and (ii) management fees that are no longer paid or that will no longer be payable following completion of this offering.

We present Adjusted EBITDA because we consider it to be an important supplemental measure of our operating performance. We also make certain compensation decisions based, in part, on our operating performance, as measured by Adjusted EBITDA. See "Compensation Discussion and Analysis — Impact of Performance on Compensation." All of the adjustments made in our calculation of Adjusted EBITDA are adjustments to items that management does not consider to be reflective of our core operating performance. Management considers our core operating performance to be that which can be affected by our managers in any particular period through their management of the resources that affect our underlying revenue and profit generating operations during that period. Management fees and royalty expenses that became payable in connection with our acquisition of Grand Canyon University, and subsequent financing transactions, are not considered reflective of our core operating performance.

Our management uses Adjusted EBITDA:

- in developing our internal budgets and strategic plan;
- as a measurement of operating performance;
- as a factor in evaluating the performance of our management for compensation purposes; and
- in presentations to the members of our board of directors to enable our board to have the same measurement basis of operating performance as are used by management to compare our current operating results with corresponding prior periods and with the results of other companies in our industry.

However, Adjusted EBITDA is not a recognized measurement under GAAP, and when analyzing our operating performance, investors should use Adjusted EBITDA in addition to, and not as an alternative for, net income, operating income, or any other performance measure presented in accordance with GAAP, or as an alternative to cash flow from operating activities or as a measure of our liquidity. Because not all companies use identical calculations, our presentation of Adjusted EBITDA may not be comparable to similarly titled measures of other companies. Adjusted EBITDA has limitations as an analytical tool, as discussed under “Management’s Discussion and Analysis — Non-GAAP Discussion.”

The following table presents data relating to Adjusted EBITDA, which is a non-GAAP measure, for the periods indicated:

	Year Ended December 31,		
	2005	2006	2007
		(In thousands)	
Net income (loss)	$ (3,813)	$ 1,651	$ 2,991
Plus: interest expense net of interest income	2,740	1,997	1,898
Plus: income tax expense (benefit)	(1,894)	1,184	1,939
Plus: depreciation and amortization	1,879	2,396	3,269
EBITDA	(1,088)	7,228	10,097
Plus: royalty to former owner(a)	1,619	2,678	3,782
Plus: management fees(b)	511	958	296
Adjusted EBITDA	$ 1,042	$ 10,864	$ 14,175

(a) Reflects the royalty fee arrangement with the former owner of Grand Canyon University in which we agreed to pay a stated percentage of cash revenue generated by our online programs. As a result of the settlement of a dispute with the former owner, we are no longer obligated to pay this royalty, although the settlement includes a prepayment of future royalties that will be amortized in 2008 and future periods. See “Management’s Discussion and Analysis of Financial Condition and Results of Operations — Factors affecting comparability — Settlement with former owner” and Note 2 to our financial statements included with this prospectus.

(b) Reflects management fees of $0.1 million, $0.3 million, and $0.3 million for the years ended December 31, 2005, 2006, and 2007, respectively, to the general partner of Endeavour Capital, and an aggregate of $0.4 million and $0.7 million for the years ended December 31, 2005 and 2006, respectively, to an entity affiliated with a former director and another affiliated with a significant stockholder, in each case following their investment in us. The agreements relating to these arrangements have all terminated or will terminate by their terms upon the closing of this offering. See “Certain Relationships and Related Transactions.”

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

The following discussion and analysis of our financial condition and results of operations should be read in conjunction with our financial statements and related notes that appear elsewhere in this prospectus. In addition to historical financial information, the following discussion contains forward-looking statements that reflect our plans, estimates and beliefs. Our actual results could differ materially from those discussed in the forward-looking statements. Factors that could cause or contribute to these differences include those discussed below and elsewhere in this prospectus, particularly in "Risk Factors" and "Forward-Looking Statements."

Overview

We are a leading, regionally accredited provider of online postsecondary education services focused on offering graduate and undergraduate degree programs in our core disciplines of education, business, and healthcare. In addition to our online programs, we offer ground programs at our traditional campus in Phoenix, Arizona and onsite at the facilities of employers. At the end of 2007, we had approximately 14,750 students, 85% of whom were enrolled in our online programs, with 62% pursuing master's degrees. Since we acquired Grand Canyon University in February 2004, we have enhanced our senior management team, expanded our online platform, increased our program offerings, and initiated a marketing and branding effort to further differentiate us in the markets in which we operate. We have also made investments to enhance our student and technology support services. We believe the changes we have instituted, combined with our management expertise, provide a platform that will support continued enrollment and revenue growth.

In 2003, the Board of Trustees of the former owner initiated a process to evaluate alternatives as a result of the school's poor financial condition and, in February 2004, several of our current stockholders acquired the assets of the school and converted it to a for-profit institution. In May 2005, following this change in control, the Department of Education recertified us to continue participating in the Title IV programs on a provisional basis, subject to certain restrictions and requirements, including requirements to post a letter of credit, accept restrictions on the growth of our program offerings and enrollment, and receive Title IV funds under the heightened cash monitoring system of payment (pursuant to which an institution is required to credit students with Title IV funds prior to obtaining those funds from the Department of Education). In October 2006, based on our significantly improved financial condition and performance since the change in control, the Department of Education eliminated the letter of credit requirement and allowed the growth restrictions to expire. In 2007, the Department of Education eliminated the heightened cash monitoring restrictions and returned us to the advance payment method (pursuant to which an institution receives Title IV funds from the Department of Education in advance of disbursement to students).

Key financial metrics

Net Revenue

Net revenue consists principally of tuition, room and board charges attributable to students residing on our ground campus, application and graduation fees, and commissions we earn from bookstore and publication sales, less scholarships. Factors affecting our net revenue include: (i) the number of students who are enrolled and who remain enrolled in our courses; (ii) the number of credit hours per student; (iii) our degree and program mix; (iv) changes in our tuition rates; (v) the amount of the scholarships that we offer; (vi) the number of students housed in, and the rent charged for, our on-campus student apartments and dormitories, and (vii) the number of students who purchase books from our bookstore.

We define enrollments for a particular time period as the number of students registered in a course on the last day of classes for each program within that financial reporting period. We offer three 16-week semesters in a calendar year, with two starts available per semester for our online students and for students who typically take evening courses on-campus or onsite at the facilities of their employer, whom we refer to as professional studies ground students, and one start available per semester for our traditional ground students. Enrollments are a function of the number of continuing students at the beginning of each period and new enrollments during the period, which are offset by graduations, withdrawals, and inactive students during the period.

Inactive students for a particular period include students who are not registered in a class and, therefore, are not generating net revenue for that period, but who have not withdrawn from Grand Canyon University.

We believe that the principal factors that affect our enrollments and net revenue are the number and breadth of the programs we offer; the attractiveness of our program offerings and learning experience, particularly for career-oriented adults who are seeking pay increases or job opportunities that are directly tied to higher educational attainment; the effectiveness of our marketing, recruiting and retention efforts, which is affected by the number and seniority of our enrollment counselors and other recruiting personnel; the quality of our academic programs and student services; the convenience and flexibility of our online delivery platform; the availability and cost of federal and other funding for student financial aid; the seasonality of our net revenue, which is enrollment driven and is typically lowest in our second fiscal quarter and highest in our fourth fiscal quarter; and general economic conditions, particularly as they might affect job prospects in our core disciplines.

The following is a summary of our student enrollment at December 31, 2005, 2006, and 2007 (which included less than 100 students pursuing non-degree certificates in each period) by degree type and by instructional delivery method:

	2005		2006		2007	
	#	%	#	%	#	%
Master’s degree	6,204	73.7	7,812	73.3	9,156	62.1
Bachelor’s degree	2,218	26.3	2,850	26.7	5,598	37.9
Total	8,422	100.0	10,662	100.0	14,754	100.0

	2005		2006		2007	
	#	%	#	%	#	%
Online	6,212	73.8	8,406	78.8	12,497	84.7
Ground*	2,210	26.2	2,256	21.2	2,257	15.3
Total	8,422	100.0	10,662	100.0	14,754	100.0

* Includes our traditional on-campus students, as well as our professional studies ground students.

For the 2008-09 academic year (the academic year that began in May 2008), our prices per credit hour are $395 for undergraduate online and professional studies courses, $420 for graduate online courses (other than graduate nursing), $510 for graduate online nursing courses, and $645 for undergraduate courses for ground students. The overall price of each course varies based upon the number of credit hours per course (with most courses representing three credit hours), the degree level of the program, and the discipline. In addition, we charge a fixed $7,740 “block tuition” for undergraduate ground students taking between 12 and 18 credit hours per semester, with an additional $645 per credit hour for credits in excess of 18. A traditional undergraduate degree typically requires a minimum of 120 credit hours. The minimum number of credit hours required for a master’s degree and overall cost for such a degree varies by program, although such programs typically require approximately 36 credit hours. We expect our new doctoral program in education, which is first being offered in the 2008-09 academic year, to cost $770 per credit hour and require approximately 60 credit hours.

Based on current tuition rates, tuition for a full program would equate to approximately $15,000 for an online master’s program, approximately $47,000 for a full four-year online bachelor’s program, and approximately $62,000 for a full four-year bachelor’s program taken on our ground campus. The tuition amounts referred to above assume no reductions for transfer credits or scholarships, which many of our students utilize to reduce their total program costs. The amount of tuition received from our students for a full program is reduced to the extent credits are transferred from other institutions. Additionally, tuition may also be reduced by scholarships. For the year ended December 31, 2007, we offered scholarships with a total value of approximately $10.3 million. For the year ended December 31, 2006, we offered scholarships with a total value of approximately $8.2 million.

Tuition increases for students in our online and professional studies ground programs range from 5.0% to 5.3% for our 2008-09 academic year as compared to 2.6% to 4.2% in the prior academic year. Tuition increases have not historically been, and may not in the future be, consistent across our programs due to market conditions and differences in operating costs of individual programs. Tuition for our traditional ground programs increased 11.2% for our 2008-09 academic year, as compared to 16.0% for the prior academic year. The larger increases for our traditional ground programs generally reflect recovery from a significant decrease in ground tuition rates that we implemented shortly after the 2004 acquisition in an effort to stabilize enrollments and revenues.

We derive a majority of our net revenue from tuition financed by the Title IV programs. For the years ended December 31, 2006 and 2007, approximately 71.5% and 74.0%, respectively, of our revenue (calculated on a cash basis in accordance with Department of Education standards) were derived from the Title IV programs. Our students also rely on scholarships, personal savings, private loans, and employer tuition reimbursements to pay a portion of their tuition and related expenses. During fiscal 2007, payments derived from private loans constituted approximately 5.0% of our cash revenue. Third party lenders independently determine whether a loan to a student is classified as subprime, and, based on these determinations, payments derived from subprime loans constituted approximately 0.2% of our cash revenue. Our future revenues could be affected if and to the extent the Department of Education restricts our participation in the Title IV programs, as it did during the period between 2005 and 2007. Current conditions in the credit markets have adversely affected the environment surrounding access to and cost of student loans. The legislative and regulatory environment is also changing, and new federal legislation was recently enacted pursuant to which the Department of Education is authorized to buy Title IV loans and implement a "lender of last resort" program in certain circumstances. See "Risk Factors" and "Regulation — Regulation of Federal Student Financial Aid Programs." We do not believe these market and regulatory conditions have adversely affected us to date, but we cannot predict whether the new legislation will improve access to Title IV funding or the impact of any of these developments on future performance.

Costs and Expenses

Instructional cost and services. Instructional cost and services consist primarily of costs related to the administration and delivery of our educational programs. This expense category includes salaries and benefits for full-time and adjunct faculty and administrative personnel, costs associated with online faculty (whom we treat as independent contractors in accordance with industry practice), information technology costs, curriculum and new program development costs, and costs associated with other support groups that provide service directly to the students. This category also includes an allocation of depreciation, amortization, rent, and occupancy costs attributable to the provision of educational services. Classroom facilities are leased or, in some cases, are provided by the students' employers at no charge to us. We do not expect to make substantial investments in our campus-based instructional costs and services, which include our facilities and our full-time and adjunct faculty, in the future as we expect the mix of our student population to continue to shift toward online students. Furthermore, we expect to leverage our established support functions over a larger enrollment and revenue base. As a result, we expect instructional costs and services to decline as a percentage of net revenue without compromising the quality of our programs.

Selling and promotional. Selling and promotional expenses include salaries and benefits of personnel engaged in the marketing, recruitment, and retention of students, as well as advertising costs associated with purchasing leads, hosting events and seminars, and producing marketing materials. Our selling and promotional expenses are generally affected by the cost of advertising media and leads, the efficiency of our marketing and recruiting efforts, salaries, and benefits for our enrollment personnel, and expenditures on advertising initiatives for new and existing academic programs. This category also includes an allocation of depreciation, amortization, rent, and occupancy costs attributable to selling and promotional activities. Selling and promotional costs are expensed as incurred. In 2007, as a result of the removal of our growth restrictions in October 2006, we more than tripled the number of our enrollment counselors in an effort to increase our efforts to recruit and enroll prospective students. We also leased new enrollment centers in Arizona and Utah, and we intend to continue to increase the number of our enrollment counselors in these centers to increase enrollment and enhance student retention. We incur immediate expenses in connection with hiring new enrollment counselors while these individuals undergo training, and typically do not achieve full productivity or generate enrollments from these enrollment counselors until four to six months after their dates of hire.

Selling and promotional costs also include revenue share arrangements with related parties pursuant to which we pay a percentage of the net revenue that we actually receive from applicants recruited by those entities that matriculate at Grand Canyon University. The related party bears all costs associated with the recruitment of these applicants. For the years ended December 31, 2005, 2006, and 2007, we paid approximately $2.8 million, $3.7 million, and $4.3 million, respectively, pursuant to these arrangements. As we increase our internal recruiting, marketing, and enrollment staff, we expect this revenue share as a proportion of total revenue to decline.

General and administrative. General and administrative expenses include salaries and benefits of employees engaged in corporate management, finance, human resources, facilities, compliance, and other corporate functions. General and administrative expenses also include bad debt expense and an allocation of depreciation, amortization, rent and occupancy costs attributable to general and administrative functions.

Royalty to former owner. In connection with our February 2004 acquisition of the assets of Grand Canyon University by several of our current stockholders, we entered into a royalty fee arrangement with the former owner in which we agreed to pay a stated percentage of cash revenue generated by our online programs. For the years ended December 31, 2005, 2006, and 2007, we expensed $1.6 million, $2.7 million, and $3.8 million, respectively, in connection with this arrangement. This arrangement has been terminated, as discussed below.

Interest expense. Interest expense consists primarily of interest charges on our capital lease obligations and on the outstanding balances of our notes payable and line of credit.

Factors affecting comparability

We have set forth below selected factors that we believe have had, or can be expected to have, a significant effect on the comparability of recent or future results of operations:

Conversion to corporate status. On August 24, 2005, we converted from a Delaware limited liability company to a Delaware corporation pursuant to Section 265 of the DGCL. As a limited liability company, we were treated as a partnership for U.S. federal and state income tax purposes and, as such, we were not subject to taxation. For all periods subsequent to such date, we have been and will continue to be subject to corporate-level U.S. federal and state income taxes.

Public company expenses. Upon consummation of our initial public offering, we will become a public company, and we intend to have our shares listed for trading on the Nasdaq Global Market. As a result, we will need to comply with laws, regulations, and requirements that we did not need to comply with as a private company, including certain provisions of the Sarbanes-Oxley Act of 2002, related SEC regulations, and the requirements of Nasdaq. Compliance with the requirements of being a public company will require us to increase our general and administrative expenses in order to pay our employees, legal counsel, and accountants to assist us in, among other things, external reporting, instituting and monitoring a more comprehensive compliance and board governance function, establishing and maintaining internal control over financial reporting in accordance with Section 404 of the Sarbanes-Oxley Act of 2002, and preparing and distributing periodic public reports in compliance with our obligations under the federal securities laws. In addition, being a public company will make it more expensive for us to obtain director and officer liability insurance. We estimate that incremental annual public company costs will be between $3.0 million and $4.0 million.

Settlement with former owner. To resolve a dispute with our former owner arising from our acquisition of Grand Canyon University and subsequent lease of our campus, we entered into a standstill agreement in September 2007 pursuant to which we agreed with the former owner to stay all pending legal proceedings through April 15, 2008. In accordance with the terms of the standstill agreement, we made an initial non-refundable $3.0 million payment to the former owner in October 2007 and received an option to pay an additional $19.5 million to the former owner by April 15, 2008, which additional amount would serve as consideration for: (i) the satisfaction in full of all past and future royalties due to the former owner under the royalty agreement; (ii) the acquisition by us of a parcel of real estate owned by the former owner on our campus; (iii) the termination of a sublease agreement pursuant to which the former owner leased office space on our campus; (iv) the assumption by us of all future payment obligations in respect of certain gift annuities made to the school by donors prior to the acquisition; (v) the cancellation of a warrant we issued to the former owner in the lease transaction; and (vi) the satisfaction in full of a $1.25 million loan made by the former owner to us in the lease transaction (including all accrued and unpaid interest thereon).

On April 15, 2008, we exercised our option and paid the additional $19.5 million to the former owner. Most of the amounts payable to the former owner under the royalty arrangement in 2005, and all of the amounts payable in 2006 and 2007, were accrued and not paid due to the dispute. A portion of the settlement payments will be treated as a prepaid royalty asset that will be amortized over future periods and the amortization expense will differ from the historical royalty expense.

Management fees. In connection with an August 2005 investment led by Endeavour Capital, we entered into a professional services agreement with Endeavour Capital's general partner. Concurrent with the closing of this offering, the professional services agreement will terminate by its terms. For the years ended December 31, 2005, 2006, and 2007, we incurred $0.1 million, $0.3 million, and $0.3 million, respectively, in fees and expenses under this agreement. In addition, through December 31, 2006, we were party to two additional professional services agreements, one with an entity affiliated with a former director and another affiliated with a significant stockholder, both of which terminated in accordance with their respective terms in 2006. For the years ended December 31, 2005 and 2006, we paid an aggregate of $0.4 million and $0.7 million, respectively, under these agreements. See "Certain Relationships and Related Transactions" located elsewhere in this prospectus for additional information.

Stock-based compensation. Prior to this offering, we have not granted or issued any stock-based compensation. Accordingly, we have not recognized any stock-based compensation expense. In connection with this offering, we intend to adopt and implement a stock incentive plan pursuant to which we will grant equity to our directors, officers, and employees. As a result, we expect to incur non-cash, stock-based compensation expenses in 2008 and future periods.

Internal Control Over Financial Reporting

Overview. We have material weaknesses in internal control over financial reporting. In connection with the preparation of our 2005, 2006, and 2007 financial statements, we identified matters involving our internal control over financial reporting that constituted material weaknesses as defined under the standards of the American Institute of Certified Public Accountants and caused us to conclude that there was more than a remote likelihood that a material misstatement of our annual or interim financial statements would not be prevented or detected on a timely basis by our employees in the normal course of performing their assigned functions.

Material weaknesses. In March 2008, in connection with the preparation of our 2005, 2006, and 2007 financial statements, we identified errors regarding our accounting for the following transactions:

- In connection with our formation in February 2004, an entity owned in part by our chief executive officer and our general counsel contributed certain intangible assets to us, and we improperly recorded these contributed assets at our estimate of their fair value value rather than at their carryover basis.
- In connection with our acquisition of Grand Canyon University from the former owner in February 2004, we improperly accounted for a perpetual royalty arrangement between us and the former owner as goodwill rather than as a current period expense. Later, in connection with a settlement agreement we entered into with the former owner in 2007 that provided for a termination of this royalty arrangement, we improperly accounted for a partial settlement payment as a current period expense rather than as a prepaid royalty subject to amortization.

- In connection with our entry into a lease agreement for our ground campus and buildings in June 2004, we improperly accounted for the arrangement as an operating lease rather than accounting for certain components of the lease as a capital lease.
- In 2004 and 2005, we failed to properly capitalize the issuance of certain common stock and equity linked instruments to third parties.

We believe the control deficiencies related to these errors constitute material weaknesses in our internal control over financial reporting. The material weakness related to our lack of processes and controls that would ensure the proper recording of assets, expenses, leases, and equity instruments in accordance with GAAP. We have begun our remediation efforts, which have included instituting certain controls and conducting training of our accounting staff for purposes of enabling them to recognize and properly account for transactions of the type described above, and we believe that our actions in this regard have strengthened our internal controls over financial reporting. Although initiated, our plan to improve the effectiveness of our internal controls and processes is not complete. It will take some time to put in place all of the rigorous disclosure controls and procedures desired by our management and our board of directors. While we expect to complete this remediation process as quickly as possible, doing so depends on several factors beyond our control, including the hiring of additional qualified personnel and, as a result, we cannot at this time estimate how long it will take to complete our remediation efforts. Our management will be conducting a comprehensive review of our control environment and will revise and enhance our controls based on that review. We cannot assure you that the measures we have taken to date and plan to take will remediate the material weaknesses we have identified. Our current independent registered public accounting firm has not evaluated the measures we have taken or plan to take in order to address the material weaknesses described above.

Critical Accounting Policies and Estimates

The discussion of our financial condition and results of operations is based upon our financial statements, which have been prepared in accordance with U.S. generally accepted accounting principles, or GAAP. During the preparation of these financial statements, we are required to make estimates and assumptions that affect the reported amounts of assets, liabilities, revenues, costs and expenses, and related disclosures. On an ongoing basis, we evaluate our estimates and assumptions, including those discussed below. We base our estimates on historical experience and on various other assumptions that we believe are reasonable under the circumstances. The results of our analysis form the basis for making assumptions 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 assumptions or conditions, and the impact of such differences may be material to our financial statements.

We believe that the following critical accounting policies involve our more significant judgments and estimates used in the preparation of our financial statements:

Revenue recognition. Tuition revenue is recognized monthly over the applicable period of instruction. Deferred revenue and student deposits in any period represent the excess of tuition, fees, and other student payments received as compared to amounts recognized as revenue on the statement of operations and are reflected as current liabilities on our balance sheet. Our educational programs have starting and ending dates that differ from our fiscal quarters. Therefore, at the end of each fiscal quarter, a portion of our revenue from these programs is not yet earned in accordance with the SEC's Staff Accounting Bulletin No. 104, *Revenue Recognition in Financial Statements*. If a student withdraws prior to the end of the third week of a semester, we refund all or a portion of tuition already paid pursuant to our refund policy, which generally results in a reduction in deferred revenue and student deposits.

Allowance for doubtful accounts. Bad debt expense is recorded as a general and administrative expense. We record 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 our allowance for doubtful accounts based on an analysis of our aging of our accounts receivable and historical bad debt experience. We generally write off accounts receivable balances deemed uncollectible on a regular basis.

However, we continue to reflect accounts receivable with offsetting allowances as long as management believes there is a reasonable possibility of collection. As a result, our allowance for doubtful accounts has increased on an annual basis as bad debt expense has exceeded amounts written off.

Long-Lived Assets. We evaluate the recoverability of our long-lived assets for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Recoverability of assets to be held and used is measured by a comparison of the carrying amount of an asset to undiscounted future net cash flows expected to be generated by the assets. If such assets are considered to be impaired, the impairment to be recognized is measured by the amount by which the carrying amount of the assets exceeds the fair value of the assets.

Income taxes. On August 24, 2005, we converted from a limited liability company to a corporation. For all periods subsequent to such date, we have been and will continue to be subject to corporate-level U.S. federal and state income taxes. We account for income taxes as prescribed by Statement of Financial Accounting Standards (“SFAS”) No. 109, *Accounting for Income Taxes* (“SFAS No. 109”). SFAS No. 109 prescribes the use of the asset and liability method to compute the differences between the tax basis of assets and liabilities and the related financial amounts using currently enacted tax laws. We have deferred 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 the deferred tax assets is principally dependent upon achievement of projected future taxable income offset by deferred tax liabilities. We evaluate the realizability of the deferred tax assets annually. Since becoming a taxable corporation, we have not recorded any valuation allowances to date on our deferred income tax assets.

Results of Operations

The following table sets forth statements of operations data as a percentage of net revenue for each of the periods indicated:

	Year Ended December 31,		
	2005	2006	2007
Net revenue	100.0%	100.0%	100.0%
Operating expenses			
Instructional cost and services	52.1	41.5	37.1
Selling and promotional	26.6	26.8	33.7
General and administrative	24.0	21.3	18.5
Royalty to former owner	3.1	3.7	3.8
Total operating expenses	105.7	93.3	93.1
Operating income (loss)	(5.7)	6.7	6.9
Interest expense	(5.8)	(4.0)	(3.1)
Interest income	0.5	1.3	1.2
Income (loss) before income taxes	(11.0)	3.9	5.0
Income tax expense (benefit)	(3.7)	1.6	2.0
Net income (loss)	(7.4)%	2.3%	3.0%

Year Ended December 31, 2007 Compared to Year Ended December 31, 2006

Net revenue. Our net revenue for the year ended December 31, 2007 was $99.3 million, an increase of $27.2 million, or 37.7%, as compared to net revenue of $72.1 million for the year ended December 31, 2006. This increase was primarily due to increased enrollment and, to a lesser extent, increases in tuition rates, including a 2.6 to 4.2% tuition increase for students in our online programs that took effect in May 2007, partially offset by an increase in institutional scholarships. End-of-period enrollment increased 38.4% in 2007 compared to 2006, as we were able to continue our growth and increase our recruitment, marketing, and enrollment operations following the elimination of the Department of Education's growth restrictions in October 2006.

Instructional cost and services expenses. Our instructional cost and services expenses for the year ended December 31, 2007 were $36.9 million, an increase of $6.9 million, or 23.2%, as compared to instructional cost and services expenses of $29.9 million for the year ended December 31, 2006. This increase was primarily due to increases in instructional compensation expense and student support services as a result of the increase in enrollments and the addition of certain academic support services, such as the establishment of our Office of Assessment and Institutional Research. Our instructional cost and services expenses as a percentage of net revenue decreased by 4.4% to 37.1% for the year ended December 31, 2007, as compared to 41.5% for the year ended December 31, 2006. This decrease was a result of the continued shift of our student population to online programs and our ability to leverage the relatively fixed cost structure of our campus-based facilities and ground faculty across an increasing revenue base.

Selling and promotional expenses. Our selling and promotional expenses for the year ended December 31, 2007 were $33.5 million, an increase of $14.1 million, or 73.0%, as compared to selling and promotional expenses of $19.4 million for the year ended December 31, 2006. This increase was driven by a substantial expansion in our marketing efforts following the removal of our growth restrictions by the Department of Education, which resulted in an increase in recruitment, marketing, and enrollment staffing, the opening of new enrollment facilities in Arizona and Utah, and expenses related to our revenue sharing arrangement. Our selling and promotional expenses as a percentage of net revenue increased by 6.9% to 33.7% for the year ended December 31, 2007, from 26.8% for the year ended December 31, 2006. This increase occurred as a result of a significant increase in the number of our enrollment counselors to increase our efforts to enroll prospective students and also increased marketing and retention staffing. In this regard, we incur immediate expenses in connection with hiring new enrollment counselors while these individuals undergo training, and typically do not achieve full productivity or generate enrollments from these enrollment counselors until four to six months after their dates of hire.

General and administrative expenses. Our general and administrative expenses for the year ended December 31, 2007 were $18.4 million, an increase of $3.1 million, or 20.0%, as compared to general and administrative expenses of $15.3 million for the year ended December 31, 2006. Bad debt expense increased to $3.9 million for the year ended December 31, 2007 from $2.9 million for the year ended December 31, 2006 as a result of a proportional increase in net revenue. The general and administrative expense increase was also attributable to expenditures made to continue to support the growth of our business. Our general and administrative expenses as a percentage of net revenue decreased by 2.8% to 18.5% for the year ended December 31, 2007, from 21.3% for the year ended December 31, 2006, as we benefited from leveraging our prior infrastructure investments over a larger enrollment and revenue base.

Royalty to former owner. In connection with our royalty fee arrangement with the former owner related to online revenue, we incurred royalty expenses for the year ended December 31, 2007 of $3.8 million, an increase of $1.1 million, or 41.2%, as compared to royalty expenses incurred of $2.7 million for the year ended December 31, 2006. Our royalty expense as a percentage of net revenue remained relatively steady for the years ended December 31, 2007 and 2006, increasing to 3.8% from 3.7%.

Interest expense. Interest expense for the year ended December 31, 2007 was $3.1 million, an increase of $0.2 million, or 5.5%, from $2.9 million for the year ended December 31, 2006 due to a higher average level of borrowings in 2007.

Interest income. Interest income for the year ended December 31, 2007 was $1.2 million, an increase of $0.3 million, or 28.5%, from $0.9 million for the year ended December 31, 2006, as a result of increased levels of cash and cash equivalents, offset by slightly lower interest rates.

Income tax expense. Income tax expense for the year ended December 31, 2007 was $1.9 million, an increase of $0.8 million, or 63.8%, from $1.2 million for the year ended December 31, 2006. This increase was primarily attributable to increased income before income taxes, partially offset by a slight decrease in our effective income tax rate to 39.3% from 41.8%.

Net income. Our net income for the year ended December 31, 2007 was $3.0 million, an increase of $1.3 million, or 81.2%, as compared to net income of $1.7 million for the year ended December 31, 2006, due to the factors discussed above.

Year Ended December 31, 2006 Compared to Year Ended December 31, 2005

Net revenue. Our net revenue for the year ended December 31, 2006 was $72.1 million, an increase of $20.3 million, or 39.2%, as compared to net revenue of $51.8 million for the year ended December 31, 2005. This increase was primarily due to increased enrollment, increases in tuition rates, including a 8.3% to 12.5% tuition increase for students in our online programs that took effect in May 2006, and reduced levels of institutional scholarships. End-of-period enrollment increased 26.6% in 2006 compared to 2005, as a result of improved productivity in our recruitment, marketing, and enrollment operations and the launch of many of our ground programs in an online delivery format, as limited by the growth restrictions imposed by the Department of Education, which were eliminated in October 2006.

Instruction cost and services expenses. Our instructional cost and services expenses for the year ended December 31, 2006 were $29.9 million, an increase of $2.9 million, or 11.0%, as compared to instructional cost and services expenses of $27.0 million for the year ended December 31, 2005. This increase was primarily due to increases in instructional compensation expense and student support services as a result of the increase in enrollments. Our instructional cost and services expenses as a percentage of net revenue decreased by 10.6% to 41.5% for the year ended December 31, 2006, as compared to 52.1% for the year ended December 31, 2005. This decrease in 2006 was a result of the continued shift of our student population to online programs, our ability to leverage the relatively fixed cost structure of our campus-based facilities and ground faculty across an increasing revenue base, and more efficient course scheduling and faculty utilization.

Selling and promotional expenses. Our selling and promotional expenses for the year ended December 31, 2006 were $19.4 million, an increase of $5.6 million, or 40.7%, as compared to selling and promotional expenses of $13.8 million for the year ended December 31, 2005. As a percentage of net revenue, our selling and promotional expenses remained relatively steady for the years ended December 31, 2006 and 2005, increasing to 26.8% from 26.6%.

General and administrative expenses. Our general and administrative expenses for the year ended December 31, 2006 were $15.3 million, an increase of $2.9 million, or 23.4%, as compared to general and administrative expenses of $12.4 million for the year ended December 31, 2005. Bad debt expense increased to $2.9 million for the year ended December 31, 2006 from $0.7 million for the year ended December 31, 2005 due to an increase in net revenue and management's assessment of our rapidly growing student base and changes in payment trends. Our general and administrative expenses as a percentage of net revenue decreased by 2.7% to 21.3% for the year ended December 31, 2006, from 24.0% for the year ended December 31, 2005, as we benefited from leveraging our prior infrastructure investments over a larger enrollment and revenue base.

Royalty to former owner. In connection with our royalty fee arrangement with our former owner, we incurred royalty expenses for the year ended December 31, 2006 of $2.7 million, an increase of $1.1 million, or 65.4%, as compared to royalty expenses incurred of $1.6 million for the year ended December 31, 2005. Our royalty expense as a percentage of net revenue increased by 0.6% to 3.7% for the year ended December 31, 2006, from 3.1% for the year ended December 31, 2005. These increases were attributable to the increase in our net revenue derived from our online programs, which grew at a faster rate than other revenue sources.

Interest expense. Interest expense for the year ended December 31, 2006 was $2.9 million, a decrease of $0.1 million, or 3.5%, from $3.0 million for the year ended December 31, 2005. The decrease was primarily due to a lower average level of borrowings in 2006.

Interest income. Interest income for the year ended December 31, 2006 was $0.9 million, an increase of $0.6 million, from $0.3 million for the year ended December 31, 2005 as a result of increased levels of cash and cash equivalents earning interest.

Income tax expense (benefit). Income tax expense for the year ended December 31, 2006 was $1.2 million, an increase of $3.1 million from income tax benefit of $1.9 million for the year ended December 31, 2005. This increase was primarily attributable to our net income before income taxes and a change in our effective income tax rate to 41.8% from 33.2%.

Net income (loss). Our net income for the year ended December 31, 2006 was $1.7 million, an increase of $5.5 million as compared to net loss of $3.8 million for the year ended December 31, 2006 due to the factors discussed above.

Seasonality

Our net revenue and operating results normally fluctuate as a result of seasonal variations in our business, principally due to changes in enrollment. Student population varies as a result of new enrollments, graduations, and student attrition. A portion of our on-campus ground students do not attend courses during the summer months, which historically has impacted our second quarter and third quarter financial results. As we increase the relative proportion of our online students, we expect this summer effect to lessen. Partially offsetting this summer effect in the third quarter has been the sequential quarterly increase in enrollments that has occurred as a result of the traditional Fall school start. This increase in enrollments also has occurred in the first quarter, corresponding to calendar year matriculation. In addition, we typically experience higher net revenue in the fourth quarter due to its overlap with the semester encompassing the traditional Fall school start and in the first quarter due to its overlap with the first semester of the calendar year. A portion of our expenses do not vary proportionately with fluctuations in net revenue, resulting in higher operating income in the first and fourth quarters relative to other quarters. We expect quarterly fluctuations in operating results to continue as a result of these seasonal patterns.

Liquidity and Capital Resources

Liquidity. We financed our operating activities and capital expenditures during the years ended December 31, 2005, 2006, and 2007 primarily through cash provided by operating activities and several private placements of securities. Our unrestricted cash, cash equivalents, and marketable securities were $14.4 million and $23.2 million at December 31, 2006 and 2007, respectively.

During 2007, we entered into a line of credit arrangement with a bank for $6.0 million. As of December 31, 2007, the entire $6.0 million was drawn. We repaid this line in full in February 2008 and we terminated the facility in May 2008.

A significant portion of our net revenue is derived from tuition financed by the Title IV programs. Federal regulations dictate the timing of disbursements under the Title IV programs. Students must apply for new loans and grants each academic year, which starts July 1 for Title IV purposes. Loan funds are generally provided by lenders in multiple disbursements for each academic year. The disbursements are usually received by the start of the second week of the semester. These factors, together with the timing of our students beginning their programs, affect our operating cash flow. We believe we have a favorable working capital profile as these Title IV funds and a significant portion of other tuition and fees are typically received by the start of the second week of a semester and the revenue is recognized and the related expenses are incurred over the duration of the semester, which reduces the impact of the growth in our accounts receivables associated with our enrollment growth.

Based on our current level of operations and anticipated growth, we believe that our cash flow from operations and other sources of liquidity, including cash, and cash equivalents, will provide adequate funds for ongoing operations, planned capital expenditures and working capital requirements for the foreseeable future.

Operating Activities. Net cash provided by operating activities for the year ended December 31, 2007 was $7.1 million. Our operating cash flows were affected by our dispute with our former owner; as previously discussed, during 2007 we accrued $3.8 million of royalties payable to our former owner and funded a $3.0 million deposit in connection with a preliminary settlement of that dispute with our former owner. Our tax payments exceeded our tax expense as our $5.0 million of income taxes paid represented a majority of our 2006 and 2007 tax obligations.

Net cash provided by operating activities for the year ended December 31, 2006 was $6.8 million. As previously discussed, we accrued $2.7 million of royalties payable to our former owner during fiscal year 2007. Our tax expense exceeded our income taxes paid as a significant portion of our income tax payable for fiscal year 2006 was paid in early 2007.

Net cash used in operating activities for the year ended December 31, 2005 was $7.0 million which was primarily driven by our net loss. During the period, we accrued $1.0 million of royalties payable to our former owner.

Investing Activities. Net cash provided by (used in) investing activities was ($10.0) million, $6.7 million and ($7.6) million for the years ended December 31, 2005, 2006, and 2007, respectively. Our cash used in investing activities is primarily related to the purchase of property, plant, and equipment and leasehold improvements. In 2005, we purchased $9.2 million of investments related to a letter of credit required by the Department of Education and associated with our growth restrictions. This letter of credit was released in 2006, resulting in investment proceeds of $9.0 million. Capital expenditures were $0.8 million, $2.4 million and $7.4 million for the years ended December 31, 2005, 2006, and 2007, respectively. A majority of our historical capital expenditures are related to our ground campus in Phoenix, Arizona. Our online business does not require significant capital expenditures and we expect capital expenditures to represent a decreasing percentage of net revenue in the future. However, we will continue to invest in computer equipment and office furniture and fixtures to support our increasing employee headcounts.

Financing Activities. Net cash provided by (used in) financing activities was $16.0 million, ($1.7) million, and $9.3 million for the years ended December 31, 2005, 2006, and 2007, respectively. During these periods, principal payments on notes payable and capital lease obligations were offset by private placements of securities by our stockholders and amounts drawn on our line of credit.

Contractual Obligations

The following table sets forth, as of December 31, 2007, the aggregate amounts of our significant contractual obligations and commitments with definitive payment terms due in each of the periods presented (in millions):

		Payments Due by Period			
	Total	Less than 1 Year	1-3 Years	3-5 Years	More than 5 Years
Long term debt(1)	$ 2.4	$ 0.6	$ 1.3	$ 0.5	$ 0.0
Capital lease obligations(1)	52.5	3.7	7.0	6.8	35.0
Tenant improvement obligations(1)	2.3	—	2.3	—	—
Operating lease obligations(2)	30.4	2.2	4.2	3.7	20.3
Total contractual obligations	$ 87.6	$ 6.5	$ 14.8	$ 11.0	$ 55.3

(1) See Note 7 to our financial statements for a discussion of our long term debt and capital lease obligations.

(2) See Note 8 to our financial statements for a discussion of our operating lease obligations.

The foregoing obligations exclude potential royalty payments to Blanchard Education, LLC under our license agreement, the amounts of which are contingent on tuition revenue from certain of our business programs.

Off-Balance Sheet Arrangements

We do not have any off-balance sheet arrangements that have or are reasonably likely to have a material current or future effect on our financial condition, changes in financial condition, revenues or expenses, results of operations, liquidity, capital expenditures, or capital resources.

Impact of Inflation

We believe that inflation has not had a material impact on our results of operations for the years ended December 31, 2005, 2006, or 2007. There can be no assurance that future inflation will not have an adverse impact on our operating results and financial condition.

Non-GAAP Discussion

In addition to our GAAP results, we use Adjusted EBITDA as a supplemental measure of our operating performance and as part of our compensation determinations. Adjusted EBITDA is not required by or presented in accordance with GAAP and should not be considered as an alternative to net income, operating income, or any other performance measure derived in accordance with GAAP, or as an alternative to cash flow from operating activities or as a measure of our liquidity.

Adjusted EBITDA is defined as net income (loss) plus interest expense net of interest income, plus income tax expense (benefit), and plus depreciation and amortization (EBITDA), as adjusted for (i) royalty payments incurred pursuant to an agreement with our former owner that has been terminated as of April 15, 2008, as discussed above and in Note 2 to our financial statements included with this prospectus and (ii) management fees that are no longer paid or that will no longer be payable following completion of this offering.

We present Adjusted EBITDA because we consider it to be an important supplemental measure of our operating performance. We also make certain compensation decisions based, in part, on our operating performance, as measured by Adjusted EBITDA. See “Compensation Discussion and Analysis — Impact of Performance on Compensation.” All of the adjustments made in our calculation of Adjusted EBITDA are adjustments to items that management does not consider to be reflective of our core operating performance. Management considers our core operating performance to be that which can be affected by our managers in any particular period through their management of the resources that affect our underlying revenue and profit generating operations during that period. Management fees and royalty expenses that became payable in connection with our acquisition of Grand Canyon University, and subsequent financing transactions, are not considered reflective of our core performance. We believe Adjusted EBITDA allows us to compare our current operating results with corresponding historical periods and with the operational performance of other companies in our industry because it does not give effect to potential differences caused by variations in capital structures (affecting relative interest expense, including the impact of write-offs of deferred financing costs when companies refinance their indebtedness), tax positions (such as the impact on periods or companies of changes in effective tax rates or net operating losses), the book amortization of intangibles (affecting relative amortization expense), and other items that we do not consider reflective of underlying operating performance. We also present Adjusted EBITDA because we believe it is frequently used by securities analysts, investors, and other interested parties as a measure of performance.

In evaluating Adjusted EBITDA, you should be aware that in the future we may incur expenses similar to the adjustments described above. Our presentation of Adjusted EBITDA should not be construed as an inference that our future results will be unaffected by expenses that are unusual, non-routine, or non-recurring. Adjusted EBITDA has limitations as an analytical tool, and you should not consider it in isolation, or as a substitute for analysis of our results as reported under GAAP. Some of these limitations are that it does reflect:

- cash expenditures for capital expenditures or contractual commitments;
- changes in, or cash requirements for, our working capital requirements;

- interest expense, or the cash requirements necessary to service interest or principal payments on our indebtedness;
- the cost or cash required to replace assets that are being depreciated or amortized; and
- the impact on our reported results of earnings or charges resulting from (i) royalties to our prior owner, including amortization of royalties prepaid in connection with our settlement, or (ii) management fees that were payable until completion of this offering.

In addition, other companies, including other companies in our industry, may calculate these measures differently than we do, limiting the usefulness of Adjusted EBITDA as a comparative measure. Because of these limitations, Adjusted EBITDA should not be considered as a substitute for net income, operating income, or any other performance measure derived in accordance with GAAP, or as an alternative to cash flow from operating activities or as a measure of our liquidity. We compensate for these limitations by relying primarily on our GAAP results and using Adjusted EBITDA only supplementally. For more information, see our financial statements and the notes to those statements included elsewhere in this prospectus.

The following table presents data relating to Adjusted EBITDA, which is a non-GAAP measure, for the periods indicated:

	Year Ended December 31,		
	2005	2006	2007
		(In thousands)	
Net income (loss)	$ (3,813)	$ 1,651	$ 2,991
Plus: interest expense net of interest income	2,740	1,997	1,898
Plus: income tax expense (benefit)	(1,894)	1,184	1,939
Plus: depreciation and amortization	1,879	2,396	3,269
EBITDA	(1,088)	$ 7,228	10,097
Plus: royalty to former owner(a)	1,619	2,678	3,782
Plus: management fees(b)	511	958	296
Adjusted EBITDA	$ 1,042	$ 10,864	$ 14,175

(a) Reflects the royalty fee arrangement with the former owner of Grand Canyon University in which we agreed to pay a stated percentage of cash revenue generated by our online programs. As a result of the settlement of a dispute with the former owner, we are no longer obligated to pay this royalty, although the settlement includes a prepayment of future royalties that will be amortized in 2008 and future periods.

See Note 2 to our financial statements included with this prospectus.

(b) Reflects management fees of $0.1 million, $0.3 million, and $0.3 million for the years ended December 31, 2005, 2006, and 2007, respectively, to the general partner of Endeavour Capital, and an aggregate of $0.4 million and $0.7 million for the years ended December 31, 2005 and 2006, respectively, to an entity affiliated with a former director and another affiliated with a significant stockholder following their investment in us. The agreements relating to these arrangements have all terminated or will terminate by their terms upon the closing of this offering. See “Certain Relationships and Related Transactions.”

Quantitative and Qualitative Disclosure About Risk

Market risk. We have no derivative financial instruments or derivative commodity instruments. We invest cash in excess of current operating requirements in short term certificates of deposit and money market instruments.

Interest rate risk. We manage interest rate risk by investing excess funds in cash equivalents and marketable securities bearing variable interest rates, which are tied to various market indices. Our future investment income may fall short of expectations due to changes in interest rates or we may suffer losses in principal if we are forced to sell securities that have declined in market value due to changes in interest rates. At December 31, 2007, a 10% increase or decrease in interest rates would not have a material impact on our future earnings, fair values, or cash flows. All of our notes payable and capital lease obligations are fixed rate instruments and are not subject to fluctuations in interest rates.

Recent Accounting Pronouncements

In June 2006, the FASB issued FASB Interpretation No. 48, *Accounting for Uncertainty in Income Taxes — an Interpretation of FASB Statement No. 109* ("FIN 48"). This interpretation, among other things, creates a two step approach for evaluating uncertain tax positions. Recognition (step one) occurs when an enterprise concludes that a tax position, based solely on its technical merits, is more-likely-than-not to be sustained upon examination. Measurement (step two) determines the amount of benefit that more-likely-than-not will be realized upon settlement. Derecognition of a tax position that was previously recognized would occur when a company subsequently determines that a tax position no longer meets the more-likely-than-not threshold of being sustained. FIN 48 specifically prohibits the use of a valuation allowance as a substitute for derecognition of tax positions, and it has expanded disclosures. We adopted FIN 48 on January 1, 2008, and we do not expect adoption to have a material impact on our financial statements.

In September 2006, the FASB issued SFAS No. 157, *Fair Value Measurements* ("SFAS No. 157") which provides enhanced guidance for using fair value to measure assets and liabilities. SFAS No. 157 establishes a common definition of fair value, provides a framework for measuring fair value under GAAP and expands disclosure requirements about fair value measurements. SFAS No. 157 is effective for financial statements issued in fiscal years beginning after November 15, 2007, and interim periods within those fiscal years. We do not believe that the adoption of SFAS No. 157 will have a material impact on our financial position or results of operations.

In February 2007, the FASB issued SFAS No. 159, *The Fair Value Option for Financial Assets and Financial Liabilities Including an Amendment of FASB Statement No. 115* ("SFAS No. 159"). This standard permits entities to choose to measure financial instruments and certain other items at fair value and is effective for the first fiscal year beginning after November 15, 2007. SFAS No. 159 must be applied prospectively, and the effect of the first re-measurement to fair value, if any, should be reported as a cumulative - effect adjustment to the opening balance of retained earnings. The adoption of SFAS No. 159 is not expected to have a material impact on our financial position or results of operations.

BUSINESS

Overview

We are a leading, regionally accredited provider of online postsecondary education services focused on offering graduate and undergraduate degree programs in our core disciplines of education, business, and healthcare. In addition to our online programs, we offer ground programs at our traditional campus in Phoenix, Arizona and onsite at the facilities of employers. We are committed to providing an academically rigorous educational experience with a focus on career-oriented programs that meet the objectives of working adults. We utilize an integrated, innovative approach to marketing, recruiting, and retaining students, which has enabled us to increase enrollment from approximately 3,000 students at the end of 2003 to approximately 14,750 students at the end of 2007, representing a compound annual growth rate of approximately 49%. At the end of 2007, 85% of our students were enrolled in our online programs and 62% of our students were pursuing master's degrees.

Our three core disciplines of education, business, and healthcare represent large markets with attractive employment opportunities. According to the U.S. Department of Education, National Center for Education Statistics, or NCES, these disciplines ranked as three of the four most popular fields of postsecondary education, based on degrees conferred in the 2005-06 school year. The U.S. Department of Labor Bureau of Labor Statistics, or BLS, has estimated that these fields comprised over 40 million jobs in 2006, many of which require postsecondary education credentials. Furthermore, the BLS has projected that the education, business, and healthcare fields will generate approximately six million new jobs between 2006 and 2016.

We primarily focus on recruiting and educating working adults, whom we define as students age 25 or older who are pursuing a degree while employed. As of December 31, 2007, approximately 93% of our online students were age 25 or older. We believe that working adults are attracted to the convenience and flexibility of our online programs because they can study and interact with faculty and classmates during times that suit their schedules. We also believe that working adults represent an attractive student population because they are better able to finance their education, more readily recognize the benefits of a postsecondary degree, and have higher persistence and completion rates than students generally.

We have experienced significant growth in enrollment, net revenue, and operating income over the last several years. Our enrollment at the end of 2007 was approximately 14,750, representing a 38.4% increase over the prior year. Our net revenue and operating income for the year ended December 31, 2007 were $99.3 million and $6.8 million, respectively, representing increases of 37.7% and 41.3%, respectively, over the prior year. We believe our growth is the result of a combination of factors, including our:

- focus on our core disciplines of education, business, and healthcare;
- convenient and flexible online delivery platform targeted at working adults;
- innovative marketing, recruitment, and retention approach; and
- expanding portfolio of academically rigorous, career-oriented program offerings.

We seek to achieve continued growth in a manner that reinforces our reputation for providing academically rigorous, career-oriented educational programs that advance the careers of our students. As part of our efforts to ensure that our students graduate with the knowledge, competencies, and skills that will enable them to succeed following graduation, we have established an Office of Assessment and Institutional Research to monitor student and faculty performance and improve student satisfaction.

We have been regionally accredited by the Higher Learning Commission and its predecessor since 1968, and we were reaccredited in 2007 for the maximum term of ten years. We are regulated by the Department of Education as a result of our participation in the federal student financial aid programs authorized by Title IV of the Higher Education Act, and, at the state level, we are licensed to operate and offer our programs by the Arizona State Board for Private Postsecondary Education. In addition, we have specialized accreditations for certain programs from the Association of Collegiate Business Schools and Programs, the Commission on Collegiate Nursing Education, and the Commission on Accreditation of Athletic Training Education. We believe that our institution-wide state authorization and regional accreditation, together with these specialized accreditations, reflect the quality of our programs, enhance their marketability, and improve the employability of our graduates.

History

Grand Canyon College was founded in Prescott, Arizona in 1949 as a traditional, private, non-profit college and moved to its existing campus in Phoenix, Arizona in 1951. Established as a Baptist-affiliated institution with a strong emphasis on religious studies, the school initially focused on offering bachelor's degree programs in education. Over the years, the school expanded its curricula to include programs in the sciences, nursing, business, music, and arts. The college obtained regional accreditation in 1968 from the Commission on Institutions of Higher Education, North Central Association of Colleges and Schools, the predecessor to the Higher Learning Commission, and began offering nursing programs in the 1970s and master's degree programs in education and business in the 1980s. In 1989, it achieved university status and became Grand Canyon University. The university introduced its first distance learning programs in 1997, and launched its first online programs in 2003 in business and education. In early 2000, it discontinued its Baptist affiliation and became a non-denominational Christian university.

In late 2003, the school's Board of Trustees initiated a process to evaluate alternatives as a result of the school's poor financial condition and, in February 2004, several of our current stockholders acquired the assets of the school and converted its operations to a for-profit institution. In May 2005, following this change in control, the Department of Education recertified us to continue participating in the Title IV programs on a provisional basis, subject to certain restrictions and requirements. In its review, the Department of Education concluded that we did not satisfy its standards of financial responsibility and identified other concerns about our administrative capability. As a result, the Department of Education required us to post a letter of credit, accept restrictions on the growth of our program offerings and enrollment, and receive Title IV funds under the heightened cash monitoring system. At this time, our lead institutional investor, Endeavour Capital, invested in us and provided the capital to support the letter of credit requirement as well as other working capital needs. In October 2006, based on our significantly improved financial condition and performance, the Department of Education eliminated the letter of credit requirement and allowed the growth restrictions to expire. In 2007, the Department of Education eliminated the heightened cash monitoring restrictions and returned us to the advance payment method.

Since February 2004, we have enhanced our senior management team, expanded our online platform, increased our program offerings, and initiated a marketing and branding effort to further differentiate us in the markets in which we operate. We have also made investments to enhance our student and technology support services. We believe these investments, combined with our management expertise, provide a platform that will support continued enrollment and revenue growth. Many of our ground programs continue to include Christian study requirements. While our online programs do not have such requirements, many include ethics requirements and offer religious courses as electives.

Industry

Postsecondary education. The United States market for postsecondary education represents a large and growing opportunity. According to the NCES, total revenue for all degree-granting postsecondary institutions was over $385 billion for the 2004-05 school year. In addition, the number of students enrolled in postsecondary institutions was projected to be approximately 18.0 million in 2007 and the number was projected to grow to 18.8 million by 2010. We believe that future growth in this market will be driven, in part, by an increasing number of job openings in occupations that require bachelor's or master's degrees. The BLS has projected the number of such jobs to grow approximately 17% and 19%, respectively, between 2006 and 2016, or nearly double the growth rate the BLS projects for occupations that do not require postsecondary degrees. Moreover, individuals with a postsecondary degree are able to obtain a significant wage premium relative to individuals without a degree. According to the U.S. Census Bureau, in 2006, the median income for individuals age 25 years or older with a bachelor's or master's degree was approximately 70% or 103% higher, respectively, than for a high school graduate of the same age with no college education.

According to the NCES, as of 2007 71% of adults age 25 years or older did not possess a bachelor's or higher degree. The NCES estimates that, as of 2005, adults age 25 years or older represented 39% of total U.S. postsecondary enrollments, or approximately 6.8 million students. We believe many of these students are pursuing a postsecondary degree while employed in order to increase their compensation or enhance their opportunities for career advancement, often with their current employer. We further believe that working adult students represent an attractive student population because they are better able to finance their education, more readily recognize the benefits of a postsecondary degree, and have higher persistence and completion rates than students generally. We expect that adults age 25 years or older will continue to represent a large and growing segment of the postsecondary education market.

Online postsecondary education. The market for online postsecondary education is growing more rapidly than the overall postsecondary market. A 2007 study by Eduventures, LLC., an education consulting and research firm, projected that from 2002 to 2007 enrollment in online postsecondary programs increased from approximately 0.5 million to approximately 1.8 million, representing a compound annual growth rate of approximately 30.4%. In comparison, the NCES projected a compound annual growth rate of 1.6% in enrollment in postsecondary programs overall during the same period. We believe this growth has been driven by a number of factors, including the greater convenience and flexibility of online programs as compared to ground-based programs and the increased acceptance of online programs among academics and employers. According to a 2006 survey by the Sloan Consortium, a trade group focused on online education, 79.1% of chief academic officers surveyed at institutions with 15,000 or more students, most of which offer online programs, and 61.9% of all chief academic officers surveyed, believe that online learning outcomes are equal or superior to traditional face-to-face instruction.

Education, business, and healthcare. The education, business, and healthcare sectors represent a large and growing market for postsecondary education. According to the NCES, these fields ranked as three of the four most popular fields of postsecondary education, based on degrees conferred in the 2005-06 school year. We believe the popularity of these fields is driven by the number and growth of employment opportunities. According to the BLS, in 2006 these three fields employed more than 40 million people in jobs that often require a postsecondary degree. Furthermore, the BLS has projected that these sectors will generate approximately six million incremental jobs between 2006 and 2016, not including job openings resulting from natural attrition. We believe there is a significant opportunity for education providers that focus on offering students a career-focused education in sectors of the workforce with strong job prospects, particularly where demand for employees is growing but supply is limited. In a 2007 report, the BLS stated that:

- Education services was the second largest industry in the United States and accounted for approximately 13 million jobs. Nearly half of these jobs were teaching positions that require at least a bachelor's degree, and some required a master's or doctoral degree. The BLS projected that job openings in the education services sector will grow by 1.4 million between 2006 and 2016 as a result of overall population growth and a nationwide focus on improving education and access to education.
- Management, business, and financial occupations comprised 15 million jobs across all industries. The BLS projected that job opportunities in this field will grow 10% between 2006 and 2016, adding a total of 1.6 million jobs during that period.
- Healthcare was the largest industry in the United States, accounting for approximately 14 million jobs and encompassing seven of the 20 fastest growing occupations. The BLS projected that employment growth in the healthcare sector will increase by 3.0 million jobs between 2006 and 2016 principally due to increased demand for healthcare services as a result of growth in the population in older age groups, rising life expectancy, and advances in medical technology.

Competitive Strengths

We believe the following competitive strengths differentiate us from our competitors:

Established presence in targeted, high demand disciplines. We have an established presence within our three core disciplines of education, business, and healthcare, which, according to the NCES, ranked as three of the four most popular fields of postsecondary education, based on degrees conferred in the 2005-06 school year. We offer our students career-oriented, academically rigorous educational programs, supported by specialized courses within their select disciplines, which enable them to advance their career prospects in these sectors. We seek to leverage our historical presence in these disciplines with key branding relationships, such as our relationship with business author and industry leader Ken Blanchard, to differentiate our reputation in the market place. We believe our focused approach enables us to develop our academic reputation and brand identity within our core disciplines, recruit and retain quality faculty and staff members, and meet the educational and career objectives of our students.

Focus on graduate degrees for working adults. We have designed our program offerings and our online delivery platform to meet the needs of working adults, particularly those seeking graduate degrees to obtain pay increases or job promotions that are directly tied to higher educational attainment. We believe that working adults are attracted to the convenience and flexibility of our online delivery platform because they can study and interact with faculty and classmates during times that suit their schedules. We also believe that working adults represent an attractive student population because they are better able to finance their education, more readily recognize the benefits of a postsecondary degree, and have higher persistence and completion rates than students generally. At December 31, 2007, approximately 69% of our online students were enrolled in graduate degree programs.

Innovative marketing, recruiting, and retention strategy. We have developed an integrated, innovative approach to student marketing, recruitment, and retention to reach our targeted students. We utilize Internet marketing, seminar and event-based marketing, referrals, and employer relationships to reach our targeted students. We provide our enrollment counselors, who serve as our primary contact with prospective students during the recruitment process, with career advancement opportunities that promote longevity and an entrepreneurial drive. We believe that our enrollment counselors help project a consistent message regarding our programs and increase the success rate of converting leads to new enrollments. Finally, we have implemented a detailed process for recruiting, enrolling, and retaining new students through which we proactively provide support to students at key points during their consideration of, and enrollment at, Grand Canyon University to enhance the probability of student enrollment and retention.

Commitment to offering academically rigorous, career-oriented programs. We are committed to offering academically rigorous educational programs that are designed to help our students achieve their career objectives. Our programs are taught by qualified faculty, substantially all of whom hold at least a master's degree and often have practical experience in their respective fields. We continually review and assess our programs and faculty to ensure that our programs provide the knowledge and skills that lead to successful student outcomes. We provide extensive student support services, including administrative, library, career, and technology support services, to help maximize the success of our students. Our Office of Assessment and Institutional Research manages our efforts to track student and faculty performance by monitoring student outcomes and developing transparent, measurable outcomes-based education programs.

Complementary online capabilities and campus-based tradition. We believe that our online capabilities, combined with our nearly 60-year heritage as a traditional campus-based university, differentiate us in the for-profit postsecondary market and enhance the reputation of our degree programs among students and employers. Our online students benefit from our flexible, interactive online platform, which we believe offers a highly effective delivery medium for our programs, yet are enrolled in a university with a traditional campus, faculty, facilities, and athletic programs. We require our online faculty to undergo training in the delivery of online programs before teaching their initial course, while our full-time ground faculty help maintain the consistency and quality of our online programs by supervising and conducting peer reviews of our online faculty, and participating as subject matter experts in the development of our online curricula. Our campus also offers our ground students, faculty, and staff an opportunity to participate in a traditional college experience.

Experienced management team with strong operating track-record. Our management team possesses extensive experience in educational services businesses, specifically in the areas of marketing to, recruiting, and retaining students pursuing online and other distance education degree offerings. Our chief executive officer, Brent Richardson, and our chief operating officer, John Crowley, have each worked in the education services sector for more than 20 years and have extensive experience in content development and prospective student identification and recruitment. Dr. Kathy Player, our provost and chief academic officer, has been with Grand Canyon University for 10 years, has played a key role in developing our reputation for academic rigor and quality, and has been instrumental in developing our Office of Assessment and Institutional Research.

Growth Strategies

We intend to pursue the following growth strategies:

Increase enrollment in existing programs. We continue to increase enrollment in our three core disciplines by identifying, enrolling, and retaining students seeking careers in the education, business, and healthcare fields. We believe, due to the depth of the market in our core disciplines, that our existing programs, some of which were only recently launched, provide ample opportunity for growth. Our three core disciplines serve markets that currently comprise over 40 million jobs, many of which require postsecondary education, and the BLS has projected that these sectors will continue to grow. In 2007, we increased the number of our enrollment counselors by 217 to increase our efforts to enroll prospective students in these fields. We intend to continue to increase the number of our enrollment counselors and our marketing personnel, and to provide these individuals with the training and resources necessary to effectively and efficiently drive enrollment growth and student retention.

Expand online program and degree offerings. We develop and offer new programs that we believe have attractive demand characteristics. We launched 17 new online program offerings in 2007, including the Ken Blanchard Executive MBA program, and intend to launch a total of 12 new online programs in 2008. We recently received approval to launch our first doctoral degree program, a Doctorate of Education in Organizational Leadership. Our new program offerings typically build on existing programs and incorporate additional specialized courses, which offers our students the opportunity to pursue programs that address their specific educational objectives while allowing us to expand our program offerings with only modest incremental investment. We also seek to add new programs in additional targeted disciplines, such as our recently launched programs in psychology and digital media.

Further enhance our brand recognition. We continue to enhance our brand recognition by pursuing online and offline marketing campaigns, establishing strategic branding relationships with recognized industry leaders, and developing complementary resources in our core disciplines that increase the overall awareness of our offerings. In our marketing efforts, we emphasize the academic rigor and career orientation of our programs. We seek to promote our brand by establishing relationships with industry leaders, such as Ken Blanchard, who have recognizable identities with potential students and further validate the quality and relevance of our program offerings.

Expand relationships with private sector and government employers. We seek additional relationships with health care systems, school districts, emergency services providers, and other employers through which we can market our offerings to their employees. As evidence of our success in these initiatives to date, in 2007, we taught courses at 29 hospitals and had direct billing arrangements with 23 employers covering programs being pursued by over 1,000 of their employees. We recently established a national account sales team, consisting of professionals with significant sales and marketing experience, that seeks to develop strategic relationships on a regional, national, and international basis across a wide range of employers. These relationships provide leads for our programs, build our recognition among employers in our core disciplines, and enable us to identify new programs and degrees that are in demand by students and employers.

Leverage infrastructure and drive earnings growth. We have made significant investments in our people, processes, and technology infrastructure since 2004. We believe these investments have prepared us to deliver our academic programs to a much larger student population with only modest incremental investment.

Our current infrastructure is capable of supporting a significantly larger number of enrollment counselors, and we intend to expand this group in order to continue to drive enrollment growth. We implemented a new learning management system in 2007 to better serve the demands of our growing student population and have expanded our student and technology support capabilities to support a larger student base. We have also invested in administrative and management personnel and systems to prepare for our anticipated growth. We intend to leverage our historical investments as we increase our enrollment, which we believe will allow us to increase our operating margins over time.

Our Approach to Academic Quality

Some of the key elements that we focus on to promote a high level of academic quality include:

- *Academically rigorous, career oriented curricula.* We create academically rigorous curricula that are designed to enable all students to gain the foundational knowledge, professional competencies, and demonstrable skills required to be successful in their chosen fields. Our curriculum is designed and delivered by faculty that are committed to delivering a high quality, rigorous education. We design our curricula to address specific career-oriented objectives that we believe working adult students in the disciplines we serve are seeking. Through this combination, we believe that we produce graduates that can compete and become leaders in their chosen fields.
- *Qualified faculty.* We demonstrate our commitment to high quality education by hiring and contracting qualified faculty with relevant practical experience. Substantially all of our current faculty members hold at least a master’s degree in their respective field and approximately 30% of our faculty members hold a doctoral degree. Many of our faculty members are able to integrate relevant, practical experiences from their professional careers into the courses they teach. We invest in the professional development of our faculty members by providing training in ground and online teaching techniques, hosting events and discussion forums that foster sharing of best practices, and continually assessing teaching effectiveness through peer reviews and student evaluations.
- *Standardized course design.* We employ a standardized curriculum development process to ensure a consistent learning experience with frequent faculty-student interaction in our courses. We thereafter continuously review our programs in an effort to ensure that they remain consistent, up-to-date, and effective in producing the desired learning outcomes. We also regularly review student surveys to identify opportunities for course modifications and upgrades.
- *Effective student services.* We establish teams comprised of academic and administrative personnel that act as the primary support contact point for each of our students, beginning at the application stage and continuing through graduation. In recent years, we have also concentrated on improving the technology used to support student learning, including enhancing our online learning platform and further improving student services through the implementation of online interfaces. As a result, many of our support services, including academic, administrative, library, and career services, are accessible online, generally allowing users to access these services at a time and in a manner that is generally convenient to them.
- *Continual academic oversight.* We have centralized the academic oversight and assessment functions for all of our programs through our Office of Assessment and Institutional Research, which continuously evaluates the academic content, delivery method, faculty performance, and desired learning outcomes for each of our programs. We continuously assess outcomes data to determine whether our students graduate with the knowledge, competencies, and skills that are necessary to succeed in the workplace. The Office and Assessment and Institutional Research also initiates and manages periodic examinations of our curricula by internal and external reviewers to evaluate and verify program quality and workplace applicability. Based on these processes and student feedback, we determine whether to modify or discontinue programs that do not meet our standards or market needs, or to create new programs. The Office and Assessment and Institutional Research also oversees regular reviews of our programs conducted by accrediting commissions.

We also offer, for both our online and ground programs, the following features in an effort to enrich the academic experience of current and prospective students:

- *Flexibility in program delivery.* We also seek to meet market demands by providing students with the flexibility to take courses exclusively online or to combine online coursework with various campus and onsite options. For example, based on market demand, particularly in connection with our nursing programs, we have established satellite locations at multiple hospitals that allow nursing students to take clinical courses onsite while completing other course work online. We have established similar onsite arrangements with other major employers, including schools and school districts through which students can pursue student teaching opportunities. This flexibility raises our profile among employers, encourages students to take and complete courses and eliminates inconveniences that tend to lessen student persistence.
- *Small class size.* Over 90% of our online and ground classes had 25 or fewer students, with no classes exceeding 40 students. These class sizes provide each student with the opportunity to interact directly with course faculty and to receive individualized feedback and attention while also affording our faculty with the opportunity to engage proactively with a manageable number of students. We believe this interaction enhances the academic quality of our programs by promoting opportunities for students to participate actively and thus build the requisite knowledge, competencies, and skills.

Accreditation and Program Approvals

We believe that the quality of our academic programs is evidenced by the college- and program-specific accreditations and approvals that we have pursued and obtained. Grand Canyon University has been continually accredited by the Higher Learning Commission and its predecessor since 1968, obtaining its most recent ten-year reaccreditation in 2007. We are licensed in Arizona by the Arizona State Board for Private Postsecondary Education. In addition, we have obtained the following specialized accreditations and approvals for our core program offerings:

College	Specialized Accreditations and Program Approvals	Current Period
College of Education	• The Arizona State Board of Education approves our College of Education to offer Institutional Recommendations for the certification of elementary, secondary, and special education teachers and school administrators.	2006 - 2008*
Ken Blanchard College of Business	• The Association of Collegiate Business Schools and Programs accredits our Master of Business Administration degree program and our Bachelor of Science degree programs in Accounting, Business Administration, and Marketing.	2007 - 2017
College of Nursing and Health Sciences	• The Commission on Collegiate Nursing Education accredits our Bachelor of Science (B.S.) in Nursing and Master of Science (M.S.) — Nursing degree programs.	2006 - 2016 (B.S.) 2006 - 2011 (M.S.)
	• The Arizona State Board of Nursing approves our Bachelor of Science (B.S.) in Nursing and Master of Science (M.S.) — Nursing degree programs.	2006 - 2016 (B.S.) 2006 - 2011 (M.S.)
	• The Commission on Accreditation of Athletic Training Education accredits our Athletic Training Program.	2002 - 2008*

* We have had our site visits related to the renewal of this specialized accreditation or program approval and are not aware of any factors that could cause this specialized accreditation or program approval not to be renewed in the ordinary course.

Our regional accreditation with the Higher Learning Commission, and our specialized accreditations and approvals for our core programs, reflect the quality of, and standards we set for, our programs, enhance their marketability, and improve the employability of our graduates.

Curricula

We offer the degrees of Master of Arts in Teaching, Master of Education, Master of Business Administration, Master of Science, Bachelor of Arts, and Bachelor of Science and a variety of programs leading to each of these degrees. Many of our degree programs also offer the opportunity to obtain one or more emphases. We require students to take a minimum of three designated courses to achieve a given emphasis. We also offer certificate programs, which consist of a series of courses focused on a particular area of study, for students who seek to enhance their skills and knowledge. In addition, we recently were approved to offer our first doctoral program in education, which will begin in 2008.

We offer our academic programs through our four distinct colleges:

- the College of Education, which has a nearly 60-year history as one of Arizona's leading teacher's colleges and consistently graduates teachers who meet or exceed state averages on the Arizona Educator Proficiency Assessment exams;
- the Ken Blanchard College of Business, which has a well-known brand among our target student population, an advisory board that includes nationally recognized business leaders, and a reputation for offering career-oriented degree programs, including an Executive MBA and programs in leadership, innovation, and entrepreneurship;
- the College of Nursing and Health Sciences, which has a strong reputation within the Arizona healthcare community and is the second largest nursing program in Arizona; and
- the College of Liberal Arts, which develops and provides many of the general education course requirements in our other colleges and also serves as one of the vehicles through which we offer programs in additional targeted disciplines.

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Under the overall leadership of our provost and chief academic officer, our senior academic affairs personnel, and the deans of the individual colleges, each of the colleges organizes its academic programs through various departments and schools. At December 31, 2007, we offered 82 academic degree programs and emphases, as follows:

College of Education		Ken Blanchard College of Business	
Degree Program	**Emphasis**	**Degree Program**	**Emphasis**
Master of Arts in Teaching		Ken Blanchard Executive MBA	
Master of Education	• Education Administration — Institutional Recommendation ("IR") • Education Administration — Organizational Leadership • Education Administration — School Leadership • Elementary Education — IR • Elementary Education —Non-IR • Curriculum and Instruction: Reading • Curriculum and Instruction: Technology • Secondary Education — IR • Secondary Education — Non-IR • Special Education for Certified Special Educators • Teaching English to Speakers of Other Languages • Special Education — IR • Special Education — Non-IR • School Counseling — K-12*	Master of Business Administration	• General Management • Health Systems Management • Leadership • Management of Information Systems • Marketing • Six Sigma
		Master of Science	• Leadership • Leadership — Disaster Preparedness Crisis Management • Executive Fire Leadership
		Bachelor of Science	• Accounting • Business Administration • Business Administration — Healthcare Management • Business Administration Management of— Information Systems Marketing • Applied Management• Accounting • Finance • Entrepreneurial Studies • Public Safety Administration
Bachelor of Science	• Elementary/Special Education* • Elementary Education — Early Childhood Education • Elementary Education — English • Elementary Education — Math • Elementary Education — Science • Secondary Education — Biology* • Secondary Education — Business Education and Technology • Secondary Education — Chemistry* • Secondary Education — Mathematics • Secondary Education — Social Studies • Secondary Education — Physical Education		
Bachelor of Arts	• English for Secondary Teachers*		

* Indicates program was offered on ground only.

College of Nursing and Health Sciences		College of Liberal Arts	
Degree Program	**Emphasis**	**Degree Program**	**Emphasis**
Master of Science — Nursing	• Family Nurse Practitioner* • Nursing Leadership in Healthcare Systems • Clinical Nurse Specialist* • Clinical Nurse Specialist (Education Focus)* • Nursing Education	Bachelor of Arts in History*	
		Bachelor of Science	• Justice Studies* • Psychology • Sociology*
		Bachelor of Arts	• Communications — Digital Media* • Communications — Graphic Design* • Communications — Public Relations* • English Literature* • Interdisciplinary Studies — Communication • Christian Leadership • Intercultural Studies • Christian Studies — Biblical/Theological Studies • Christian Studies — Pastoral Ministry • Christian Studies — Worship Ministry • Christian Studies — Youth Ministry • Christian Leadership
Bachelor of Science in Nursing			
Bachelor of Science	• Biology — Basic Science* • Biology — Pre-Medicine* • Biology — Pre-Pharmacy* • Biology — Pre-Physician Assistant* • Biology — Pre-Physical Therapy* • Biology — Pre-Occupational Therapy* • Biology — Pre-Veterinary* • Health Science: Professional Development and Advanced Patient Care • Medical Imaging Sciences • Athletic Training* • Corporate Fitness and Wellness* • Physical Education* • Recreation*		
		Undergraduate Minors • Athletic Coaching* • Behavioral Sciences* • Business • Critical Thinking and Expression* • Exercise Science* • Family Studies • Health Education* • History*	• Justice Studies* • Physical Education* • Political Science* • Psychology* • Recreation* • Social Sciences* • Sociology* • Spanish*

* Indicates program was offered on ground only.

We have established relationships with health care systems, school districts, emergency services providers, and other employers through which we offer programs onsite to provide flexibility and convenience to students and their employers. For example, for our nursing programs, we offer clinical courses onsite at hospitals and other healthcare centers with which we have relationships, and also arrange to allow these students to complete their clinical work onsite. We refer to students attending a program with us through such relationships as professional studies ground students.

We offer our programs through three 16-week semesters in a calender year, with two starts available per semester for our online students and our professional studies ground students and one start available per semester for our traditional ground students. During each semester, classes may last for five, eight, or 16 weeks. Depending on the program, students generally enroll in one to three courses per semester. We require online students to complete two courses of three credits hours each during a 16-week semester, with each student concentrating on one course during each eight-week period. While there is no explicit requirement, we communicate to our online students our expectation that they access their online student classroom at least four times each week in order to maintain an active dialogue with their professors and classmates. Our online programs provide a digital record of student interactions for the course instructor to assess students' levels of engagement and demonstration of required competencies.

New Program Development

We typically identify a potential new degree program or emphasis area through market demand or from proposals developed by faculty, staff, students, alumni, or partners, and then perform an analysis of the development cost and the long-term demand for the program. If, following this analysis, we decide to proceed with the program, our Curriculum Design and Development Team designates a subject matter expert who works with other faculty and our curriculum development personnel to design a program that is consistent with our academically rigorous, career-oriented program standards. The program is then reviewed by the dean of the applicable college, the Academic Affairs Committee, and our provost and chief academic officer and, finally, presented for approval to our Program Standards and Evaluation Committee. Upon approval, the subject matter expert develops a course syllabus and our Marketing Department creates a marketing plan to publicize the new program. Our average program development process is six months from proposal to course introduction. The development process is typically longer if we are expanding into a new field or offering a new type of degree.

Assessment

In 2007, we established our Office of Assessment and Institutional Research to serve as our central resource for assessing and continually improving our curricula, student satisfaction and learning outcomes, and overall institutional effectiveness. Among other things, the assessment team reviews student course satisfaction surveys, analyzes archived student assignments to assess whether a given program is developing students' foundational knowledge, professional competencies, and skills to achieve the expected learning outcomes, supervises and analyzes faculty peer reviews, and monitors program enrollment and retention data. Based on this data and the conclusions of the assessment team, we modify programs as necessary to meet our student satisfaction and educational development standards and make recommendations as to adding or modifying programs.

Faculty

Our faculty includes full-time, ground-based faculty who teach under a nine-month or twelve-month teaching contract, as well as adjunct ground-based faculty and online faculty who we contract to teach on a course-by-course basis for a specified fee. As of December 31, 2007, we employed 370 ground-based faculty members, of which 54 were full-time and 316 were part-time adjuncts, and maintained a pool of over 1,000 online faculty members, all of whom had completed our required training and 735 of which taught at least one course during 2007. Substantially all of our current faculty members hold at least a master's degree in their respective field and approximately 30% of our faculty members hold a doctoral degree. On occasion, we engage a limited number of faculty members who may not hold a graduate degree, but who evidence significant professional experience and achievement in their respective subject areas.

We establish full-time, adjunct and online positions based on program and course enrollment. As enrollment increases, we expect to continue to increase our online faculty pool. We manage faculty workload by limiting our faculty to a maximum of four courses per semester and by restricting the number of students per class.

We attract faculty through referrals by current faculty members and advertisements in education and trade association journals, as well as from direct inquiries through our website. We require each new online faculty member to complete an online orientation and training program that leads to certification and assignment. We believe that potential faculty members are attracted to us because of the opportunity to teach academically rigorous, career-oriented material to motivated working adult students.

We believe that the quality of our faculty is critical to our success, particularly because faculty members have more interaction with our students than any other university employee. Accordingly, we regularly review the performance of our faculty, including by engaging our full-time ground faculty and other specialists to conduct peer reviews of our online faculty, monitoring the amount of contact that faculty have with students in our online programs, reviewing student feedback, and evaluating the learning outcomes achieved by students. If we determine that a faculty member is not performing at the level that we require, we work with the faculty member to improve performance, including by assigning him or her a mentor or through other means. If the faculty member's performance does not improve, we terminate the faculty member's contract or employment.

Student Support Services

Encouraging students that enter Grand Canyon University to complete their degree programs is critical to the success of our business. We focus on developing and providing resources that support the student educational experience, simplify the student enrollment process, acclimate students to our programs and our online environment, and track student performance toward degree completion. Many of our support services, including academic, administrative, and library services, are accessible online and are available to our online and ground students, allowing users to access these services at a time and in a manner that is generally convenient to them. The student support services we provide include:

Academic services. We provide students with a variety of services designed to support their academic studies. Our Center for Academic and Professional Success offers new student orientation, academic advising, technical support, research services, writing services, and other tutoring to all our online and campus students.

Administrative services. We provide students with the ability to access a variety of administrative services both telephonically and via the Internet. For example, students can register for classes, apply for financial aid, pay their tuition and access their transcripts online. We believe this online accessibility provides the convenience and self-service capabilities that our students value. Our financial aid counselors provide personalized online and telephonic support to our students.

Library services. We provide a mix of online and ground resources, services, and instruction to support the educational and research endeavors of all students, faculty, and staff, including ground and online libraries and a qualified library staff that is available to help faculty and students with research, teaching, and library resource instruction. Collectively, our library services satisfy the criteria established by the Higher Learning Commission and other accrediting and approving bodies for us to offer undergraduate, master's and doctoral programs.

Career services. For those students seeking to change careers or explore new career opportunities, we offer career services support, including resume review and evaluation, career planning workshops, and access to career services specialists for advice and support. Other resources that we offer include a Job Readiness Program, which advises students on matters such as people skills, resumes and cover letters, mock interviews, and business etiquette; a job board, which advertises employment postings and career exploration opportunities; career counseling appointments and consultations; and career fairs.

Technology support services. We provide online technical support 16 hours per day during the week and 14 hours per day on weekends to help our students remedy technology-related issues. We also provide online tutorials and "Frequently Asked Questions" for students who are new to online coursework.

Marketing, Recruitment, and Retention

Marketing. We engage in a range of marketing activities designed to position us as a provider of academically rigorous, career-oriented educational programs, build strong brand recognition in our core disciplines, differentiate us from other educational providers, raise awareness among prospective students, generate enrollment inquiries, and stimulate student and alumni referrals. Our online target market includes working adults focused on program quality, convenience, and career advancement goals. Our ground target market includes traditional college students, working adults seeking a high quality education in a traditional college setting, and working adults seeking to take classes with a cohort onsite at their employer's facility. In marketing our programs to prospective students, we emphasize the value of the educational experience and the academic rigor and career orientation of the programs, rather than the cost or speed to graduation. We believe this approach reinforces the qualities that we want associated with our brand and also attracts students who tend to be more persistent in starting and finishing their programs.

We have established dedicated teams, consisting of both marketing and enrollment personnel, at each of our colleges to lead our efforts to attract new students. We believe that these blended groups, organized around each core discipline, promote more effective internal communication within our sales and marketing functions, allow deeper penetration within our target markets due to each team's singular focus on a core discipline, and enable us to gain a better understanding of the attributes of our students who ultimately enroll and graduate so that we can target our marketing and enrollment processes accordingly.

To generate student leads, our marketing and enrollment personnel employ an integrated marketing approach that utilizes a variety of lead sources to identify prospective students. These lead generation sources include:

- Internet and affiliate advertising, which generates the majority of our leads and which includes purchasing leads from aggregators and also engaging in targeted, direct email advertising campaigns, and coordinated campaigns with various affiliates;
- search engine optimization techniques, through which we seek to obtain high placement in search engine results in response to key topic and word searches and drive traffic to our website;
- seminar and event marketing, in which our marketing and enrollment personnel host group events at various venues, including community colleges, corporations, and hospitals;
- referrals from existing students, alumni, and employees;
- a national accounts program that seeks to develop relationships with employers in our core disciplines, including healthcare providers, school districts, emergency services providers, and large corporations, that may be interested in providing dedicated and customized online and onsite educational opportunities to their employees, and to encourage senior executives to participate in executive training programs; and
- print and direct mail advertising campaigns, and other public relations and communications efforts, including promoting our athletic programs and student and alumni events.

Recruitment. Once a prospective student has indicated an interest in enrolling in one of our programs, our lead management system identifies and directs an enrollment counselor to initiate immediate communication. The enrollment counselor serves as the primary, direct contact for the prospective student and the counselor's goal is to help that individual gain sufficient knowledge and understanding of our programs so that he or she can assess whether there is a good match between our offerings and the prospective student's goals. Upon the prospective student's submission of an application, the enrollment counselor, together with our student services personnel, works with the applicant to gain acceptance, arrange financial aid, if needed, register for courses, and prepare for matriculation.

Our enrollment counselors typically have prior education industry or sales experience. Each counselor undergoes a standardized three-week training program that involves both classroom and supervisor-monitored fieldwork and provides the counselor with training in financial aid, regulatory requirements, general sales skills, and our history and heritage, mission, and academic programs. As of December 31, 2007, we employed over 300 enrollment counselors at facilities in Arizona and Utah and have capacity at our existing locations to support approximately 700 enrollment counselors, which we expect to be sufficient to handle our growth plans through 2009. We believe we can obtain additional capacity to accommodate our growth plans beyond 2009 on terms acceptable to us.

Retention. We employ a retention team whose purpose is to support the student in advancing from matriculation through graduation. At the end of 2007, our retention team consisted of 15 "retention specialists," whom, among other things, monitor "triggering events," such as the failure to buy books for a registered course or to participate in online orientation exercises, which signal that a student may be at-risk for dropping out. Upon identifying an at-risk student, specialists proactively interact with the student to resolve any issues and encourage the student to continue with his or her program. In 2006, we developed and introduced our "concierge" system, which is a software program that monitors and manages the resolution of student issues, such as financial aid or technology problems, that, if left unresolved, may lead to dissatisfaction and lower student persistence. Under this system, each reported problem is issued a "ticket" that is accessible by all functional groups within Grand Canyon University and remains outstanding until the problem is resolved. The system directs the ticket to personnel best able to resolve the problem, and escalates the ticket to higher levels if not resolved within appropriate time periods. We have found that personally involving our employees in the student educational process, and proactively seeking to resolve issues before they become larger problems, can significantly increase retention rates among students. The concierge system also provides our marketing and enrollment personnel with greater insight into the qualities exhibited by successful students, which enables our enrollment team to recruit and enroll higher quality applicants.

Admissions

Admission is available to qualified students who are at least 16 years of age. Applicants to our graduate programs must generally have an undergraduate degree from an accredited college, university, or program with a grade point average of 2.8 or greater, or a graduate degree from such a college, university, or program. Undergraduate applicants may qualify in various ways, including by having a high school diploma and an unweighted grade point average of 2.25 or greater or a composite score of 920 or greater on the Scholastic Aptitude Test, or a passing score of 520 or greater on the General Education Development (GED) tests. Some of our programs require a higher grade point average and/or other criteria to qualify for admission. In addition, some students who do not meet the qualifications for admission may be admitted at our discretion. A student being considered for admission with specification may be asked to submit additional information such as personal references and an essay addressing academic history. Students may also need to schedule an interview to help clarify academic goals and help us make an informed decision.

Enrollment

At the end of 2007, we had 14,754 students enrolled in our courses, of which 12,497, or 84.7%, were enrolled in our online programs, and 2,257, or 15.3%, were enrolled in our ground programs. Of our online students, which were geographically distributed throughout all 50 states of the United States, and Canada, 92.7% were age 25 or older. Of our ground students, which, although we draw students from throughout the United States, were predominantly comprised of students from Arizona, 63.2% were age 25 or older.

The following is a summary of our student enrollment at the end of 2007 (which included less than 100 students pursuing non-degree certificates) by degree type and by instructional delivery method:

	# of Students	% of Total
Master’s	9,156	62.1
Bachelor’s	5,598	37.9
Total	14,754	100.0

	# of Students	% of Total
Online	12,497	84.7
Ground*	2,257	15.3
Total	14,754	100.0

* Includes our traditional on-campus students, as well as our professional studies ground students.

Tuition and Fees

Our tuition rates vary by type and length of program and by degree level. For all graduate and undergraduate programs, tuition is determined by the number of courses taken by each student. For our 2008-09 academic year (the academic year that begins in May 2008), our prices per credit hour will be $395 for undergraduate online and professional studies courses, $420 for graduate online courses (other than graduate nursing), $510 for graduate online nursing courses, and $645 for undergraduate courses for ground students. The overall price of each course varies based upon the number of credit hours per course (with most courses representing three credit hours), the degree level of the program, and the discipline of the course. In addition, we charge a fixed $7,740 “block tuition” for undergraduate ground students taking between 12 and 18 credit hours per semester, with an additional $645 per credit hour for credits in excess of 18. A traditional undergraduate degree typically requires a minimum of 120 credit hours. The minimum number of credit hours required for a master’s degree and overall cost for such a degree varies by program although such programs typically require approximately 36 credit hours. We expect our new doctoral program in education, which is first being offered in the 2008-09 academic year, to cost $770 per credit hour and require approximately 60 credit hours.

We offer tuition scholarships to select students, including online students, athletes, employees, and participants in programs we offer through relationships with employers. For the years ended December 31, 2006 and 2007, we offered tuition scholarships representing a total value of approximately $8.2 million and $10.3 million, respectively, over the same periods.

We have established a refund policy for tuition and fees based upon semester start dates. If a student drops or withdraws from a course during the first week of the semester, 100% of the charges for tuition and fees are refunded, while during the second and third weeks of a semester 75% and 50%, respectively, of the tuition charges are refunded but none of the fees. Following the third week of the semester, tuition and fees are not refunded. Fees charged by us include application and graduation fees of $100 and $150, respectively, as well as fees for dropping or withdrawing from courses after the beginning of the semester. This tuition and fees refund policy is different from, and applies in addition to, the return of Title IV funds policy we are required to use as a condition of our participation in the Title IV programs.

Sources of Student Financing

Our students finance their education through a combination of methods, as follows:

Title IV programs. The federal government provides for grants and loans to students under the Title IV programs, and students can use those funds at any institution that has been certified as eligible by the Department of Education. Student financial aid under the Title IV programs is primarily awarded on the basis of a student's financial need, which is generally defined as the difference between the cost of attending the institution and the amount the student and the student's family can reasonably contribute to that cost. All students receiving Title IV program funds must maintain satisfactory academic progress toward completion of their program of study. In addition, each school must ensure that Title IV program funds are properly accounted for and disbursed in the correct amounts to eligible students.

During fiscal 2007, we derived approximately 74.0% of our revenue (calculated on a cash basis in accordance with Department of Education standards) from tuition financed under the Title IV programs. The primary Title IV programs that our students receive funding from are the Federal Family Education Loan, or FFEL, Program, and the Federal Pell Grant, or Pell, Program, which are described below:

- *FFEL.* Under the FFEL Program, banks and other lending institutions make loans to students. The FFEL Program includes the Federal Stafford Loan Program, the Federal PLUS Program (which provides loans to graduate and professional studies students as well as parents of dependent undergraduate students), and the Federal Consolidation Loan Program. If a student defaults on an FFEL loan, payment to the lender is guaranteed by a federally recognized guaranty agency, which is then reimbursed by the Department of Education. Students who demonstrate financial need may qualify for a subsidized Stafford loan. With a subsidized Stafford loan, the federal government pays the interest on the loan while the student is in school and during grace periods and any approved periods of deferment, until the student's obligation to repay the loan begins. Unsubsidized Stafford loans are not based on financial need, and are available to students who do not qualify for a subsidized Stafford loan or, in some cases, in addition to a subsidized Stafford loan. Loan funds are disbursed to us, and we in turn disburse the amounts in excess of tuition and fees to students.

  Effective July 1, 2007, under the Federal Stafford Loan Program, a dependent undergraduate student may borrow up to $3,500 for the first academic year, $4,500 for the second academic year, and $5,500 for each of the third and fourth academic years. Students who are classified as independent can obtain up to an additional $4,000 for each of the first and second academic years and an additional $5,000 for each of the third and fourth academic years. Students enrolled in graduate programs can borrow up to $20,500 per academic year. Students enrolled in certain graduate-level health programs can receive an additional $12,500 per academic year. Effective July 1, 2008, the annual loan limits for most undergraduate students were increased by $2,000.

- *Pell.* Under the Pell Program, the Department of Education makes grants to undergraduate students who demonstrate financial need. Effective July 1, 2007, the maximum annual grant a student can receive under the Pell Program is $4,310, and effective July 1, 2008 that maximum will increase to $4,731.

Our students also receive funding under other Title IV programs, including the Federal Perkins Loan Program, the Federal Supplemental Educational Opportunity Grant Program, the Federal Work-Study Program, the National Science and Mathematics Access to Retain Talent Grant Program, and the Academic Competitiveness Grant Program.

Other financial aid programs. In addition to the Title IV programs listed above, eligible students may participate in several other financial aid programs or receive support from other governmental sources. These include veterans educational benefits administered by the U.S. Department of Veterans Affairs and state financial aid programs. During fiscal 2007, we derived an immaterial amount of our net revenue from tuition financed by such programs.

Private loans. Some of our students also use private loan programs to help finance their education. Students can apply to a number of different lenders for private loans at current market interest rates. Private loans are intended to fund a portion of students' cost of education not covered by the Title IV programs and other financial aid. During fiscal 2007, payments derived from private loans constituted approximately 5.0% of our cash revenue. Third-party lenders independently determine whether a loan to a student is classified as subprime, and, based on these determinations, payments to us derived from subprime loans constituted approximately 0.2% of our cash revenue.

Other sources. We derived the remainder of our net revenue from tuition that is self-funded or attributable to employer tuition reimbursements.

Technology Systems and Management

We believe that we have established a secure, reliable, scalable technology system that provides a high quality online educational environmental and gives us the capability to substantially grow our online programs and enrollment.

Online course delivery and management. In 2007, we implemented the ANGEL Learning Management Suite, which is a web-based system and collaboration portal that stores, manages, and delivers course content; provides interactive communication between students and faculty; enables assignment uploading; and supplies online evaluation tools. The system also provides centralized administration features that support the implementation of policies for content format and in-classroom learning tools. We continually seek to develop and implement features that enhance the online classroom experience, such as delivering course content through streaming video, which we expect to begin for selected courses in the fall of 2008.

Internal administration. We utilize a commercial customer relations management package to distribute, manage, track, and report on all prospective student leads developed, both internally and externally. We also utilize a commercial software package to track Title IV funds, student records, grades, accounts receivable, and accounts payable. Each of these packages is scalable to capacity levels well in excess of current requirements.

Infrastructure. We operate two data centers, one at our campus and one at a third party co-location facility. All of our servers are networked and we have redundant data backup. We manage our technology environment internally. Our wide area network uses multi-protocol label switching technology for maximum availability and flexibility. Student access is provided through redundant data carriers in both data centers and is load balanced for maximum performance. Real-time monitoring provides current system status across server, network, and storage components.

Ground Campus

Our ground campus is located on approximately 90 acres in the center of the Phoenix, Arizona metropolitan area, near downtown Phoenix. Our campus facilities currently consist of 43 buildings with more than 500,000 square feet of space, which include 63 classrooms, three lecture halls, a 500-seat theater, three student computer labs with 150 computers that are available to students 18 hours per day, a 68,000-volume physical library, and a media arts complex that provides communications students with audio and video equipment. We house our ground students in on-campus student apartments and dormitories that can collectively hold up to 800 students.

We have 18 athletic teams that compete in Division II of the National Collegiate Athletic Association. Our athletic facilities include two gymnasiums, which accommodate basketball, volleyball, and wrestling, as well as facilities for our baseball, softball, tennis, lacrosse, and swimming programs. Our baseball program has produced more than ten Major League Baseball players.

We believe our ground-based programs and traditional campus not only offers our ground students, faculty, and staff an opportunity to participate in a traditional college experience, but also provides our online students, faculty, and staff with a sense of connection to a traditional university. Additionally, our full-time ground faculty play an important role in integrating online faculty into our academic programs and ensuring the overall consistency and quality of the ground and online student experience. We believe our mix of a rapidly growing online program, anchored by a traditional ground-based program with a nearly 60-year history and heritage, differentiates us from most other for-profit postsecondary education providers.

Employees

In addition to our faculty, as of December 31, 2007, we employed 702 staff and administrative personnel in university services, academic advising and academic support, enrollment services, university administration, financial aid, information technology, human resources, corporate accounting, finance, and other administrative functions. None of our employees is a party to any collective bargaining or similar agreement with us. We consider our relationships with our employees to be good.

Competition

There are more than 4,000 U.S. colleges and universities serving traditional and adult students. Competition is highly fragmented and varies by geography, program offerings, modality, ownership, quality level, and selectivity of admissions. No one institution has a significant share of the total postsecondary market.

Our ground program competes with Arizona State University, Northern Arizona University, and the University of Arizona, the in-state public universities, as well as two-year colleges within the state community college system. To a limited extent, our ground program also competes with geographically proximate universities with similar religious heritages, including Azusa Pacific University, Baylor University, and Seattle Pacific University. Our online programs compete with local, traditional universities geographically located near each of our prospective students, and with other for-profit postsecondary schools that offer online degrees, particularly those schools that offer online graduate programs within our core disciplines, including Capella University, University of Phoenix, and Walden University.

Non-profit institutions receive substantial government subsidies, and have access to government and foundation grants, tax-deductible contributions and other financial resources generally not available to for-profit schools. Accordingly, non-profit institutions may have instructional and support resources that are superior to those in the for-profit sector. In addition, some of our competitors, including both traditional colleges and universities and other for-profit schools, have substantially greater name recognition and financial and other resources than we have, which may enable them to compete more effectively for potential students. We also expect to face increased competition as a result of new entrants to the online education market, including established colleges and universities that had not previously offered online education programs.

We believe that the competitive factors in the postsecondary education market include:

- availability of career-oriented and accredited program offerings;
- the types of degrees offered and marketability of those degrees;
- reputation, regulatory approvals, and compliance history of the school;
- convenient, flexible and dependable access to programs and classes;
- qualified and experienced faculty;
- level of student support services;
- cost of the program;
- marketing and selling effectiveness; and
- the time necessary to earn a degree.

Property

Our ground campus occupies approximately 90 acres in Phoenix, Arizona. We lease the campus under a lease that expires in 2024. Renewal terms under this lease allow for us to extend the current lease for up to four additional five-year terms. We also lease two additional enrollment facilities, one in Utah and one in Arizona. We believe our existing facilities are adequate for current requirements and that additional space can be obtained on commercially reasonable terms to meet future requirements.

Intellectual Property

We rely on a combination of copyrights, trademarks, service marks, trade secrets, domain names and agreements with third parties to protect our proprietary rights. In many instances, our course content is produced for us by faculty and other subject matter experts under work for hire agreements pursuant to which we own the course content in return for a fixed development fee. In certain limited cases, we license course content from a third party on a royalty fee basis.

We are parties to an exclusive license agreement with Blanchard Education, LLC pursuant to which we license the right to name our business school “The Ken Blanchard College of Business” and to use the name of Ken Blanchard to promote our business school and business degree programs. In return, we pay royalties to the licensor equal to a fixed percentage of our net tuition received in respect of our upper level business courses. The agreement expires in June 2011, and is automatically renewable for an additional five years unless terminated by either party within six months prior to such expiration date.

We rely on trademark and service mark protections in the United States for our name and distinctive logos, along with various other trademarks and service marks related to our specific offerings. We also own domain name rights to “www.gcu.edu,” as well as other words and phrases important to our business.

Legal Proceedings

On February 28, 2007, we filed a complaint against SunGard Higher Education Managed Services, Inc. in the Maricopa County Superior Court, Case No. CV2007-003492, for breach of contract, breach of implied covenant of good faith and fair dealing, breach of warranty, breach of fiduciary duty, tortious interference with business expectancy, unjust enrichment, and consumer fraud related to a technology services agreement between the parties. In response, SunGard moved to stay the litigation and compel arbitration. The court granted the motion to stay, and compelled the parties to arbitration. SunGard has also counterclaimed alleging breach of contract relating to the parties’ technology services agreement. Various other motions have been made and heard, discovery is ongoing, and arbitration is scheduled to commence in late May 2008. We are seeking approximately $1.4 million from SunGard, and SunGard has counterclaimed for approximately $1.7 million.

From time to time, we are a party to various other lawsuits, claims, and other legal proceedings that arise in the ordinary course of our business. We are not at this time a party, as plaintiff or defendant, to any legal proceedings which, individually or in the aggregate, would be expected to have a material adverse effect on our business, financial condition, or results of operation.

REGULATION

We are subject to extensive regulation by state education agencies, accrediting commissions, and the federal government through the Department of Education under the Higher Education Act. The regulations, standards, and policies of these agencies cover the vast majority of our operations, including our educational programs, facilities, instructional and administrative staff, administrative procedures, marketing, recruiting, financial operations, and financial condition.

As an institution of higher education that grants degrees and certificates, we are required to be authorized by appropriate state education authorities. In addition, in order to participate in the federal programs of student financial assistance for our students, we must be accredited by an accrediting commission recognized by the Department of Education. Accreditation is a non-governmental process through which an institution submits to qualitative review by an organization of peer institutions, based on the standards of the accrediting commission and the stated aims and purposes of the institution. The Higher Education Act requires accrediting commissions recognized by the Department of Education to review and monitor many aspects of an institution’s operations and to take appropriate action if the institution fails to meet the accrediting commission’s standards.

Our operations are also subject to regulation by the Department of Education due to our participation in federal student financial aid programs under Title IV of the Higher Education Act, which we refer to in this prospectus as the Title IV programs. The Title IV programs include educational loans with below-market interest rates that are guaranteed by the federal government in the event of a student’s default on repaying the loan, and also grant programs for students with demonstrated financial need. To participate in the Title IV programs, a school must receive and maintain authorization by the appropriate state education agency or agencies, be accredited by an accrediting commission recognized by the Department of Education, and be certified as an eligible institution by the Department of Education.

Our business activities are planned and implemented to comply with the standards of these regulatory agencies. We employ a full-time director of compliance who is knowledgeable about regulatory matters relevant to student financial aid programs and our chief financial officer and general counsel also provide oversight designed to ensure that we meet the requirements of our regulated operating environment.

State Education Licensure and Regulation

We are authorized to offer our programs by the Arizona State Board for Private Postsecondary Education, the regulatory agency governing private postsecondary educational institutions in the state of Arizona, where we are located. We do not presently have campuses in any states other than Arizona. We are required by the Higher Education Act to maintain authorization from the Arizona State Board for Private Postsecondary Education in order to participate in the Title IV programs. This authorization is very important to us and our business. To maintain our state authorization, we must continuously meet standards relating to, among other things, educational programs, facilities, instructional and administrative staff, marketing and recruitment, financial operations, addition of new locations and educational programs, and various operational and administrative procedures. Failure to comply with the requirements of the Arizona State Board for Private Postsecondary Education could result in us losing our authorization to offer our educational programs, which would cause us to lose our eligibility to participate in the Title IV programs and which, in turn, could force us to cease operations. Alternatively, the Arizona State Board for Private Postsecondary Education could restrict our ability to offer certain degree programs.

Most other states impose regulatory requirements on out-of-state educational institutions operating within their boundaries, such as those having a physical facility or recruiting students within the state. State laws establish standards in areas such as instruction, qualifications of faculty, administrative procedures, marketing, recruiting, financial operations, and other operational matters, some of which are different than the standards prescribed by the Department of Education or the Arizona State Board for Private Postsecondary Education. Laws in some states limit schools’ ability to offer educational programs and award degrees to residents of those states. Some states also prescribe financial regulations that are different from those of the Department of Education, and many require the posting of surety bonds.

In addition, several states have sought to assert jurisdiction over educational institutions offering online degree programs that have no physical location or other presence in the state but that have some activity in the state, such as enrolling or offering educational services to students who reside in the state, employing faculty who reside in the state, or advertising to or recruiting prospective students in the state. State regulatory requirements for online education vary among the states, are not well developed in many states, are imprecise or unclear in some states, and can change frequently. New laws, regulations, or interpretations related to doing business over the Internet could increase our cost of doing business and affect our ability to recruit students in particular states, which could, in turn, negatively affect enrollments and revenues and have a material adverse effect on our business.

In addition to Arizona, we have determined that our activities in certain states constitute a presence requiring licensure or authorization under the requirements of the state education agency in those states. In other states, we have obtained approvals as we have determined necessary in connection with our marketing and recruiting activities. We review the licensure requirements of other states when appropriate to determine whether our activities in those states constitute a presence or otherwise require licensure or authorization by the respective state education agencies. Because we enroll students from all 50 states and the District of Columbia, we expect we will have to seek licensure or authorization in additional states in the future. If we fail to comply with state licensing or authorization requirements for a state, or fail to obtain licenses or authorizations when required, we could lose our state licensure or authorization by that state or be subject to other sanctions, including restrictions on our activities in that state, fines, and penalties. The loss of licensure or authorization in a state other than Arizona could prohibit us from recruiting prospective students or offering services to current students in that state, which could significantly reduce our enrollments.

State Professional Licensure

Many states have specific requirements that an individual must satisfy in order to be licensed as a professional in specified fields, including fields such as education and healthcare. These requirements vary by state and by field. A student’s success in obtaining licensure following graduation typically depends on several factors, including the background and qualifications of the individual graduate, as well as the following factors, among others:

- whether the institution and the program were approved by the state in which the graduate seeks licensure, or by a professional association;
- whether the program from which the student graduated meets all requirements for professional licensure in that state;
- whether the institution and the program are accredited and, if so, by what accrediting commissions; and
- whether the institution’s degrees are recognized by other states in which a student may seek to work.

Many states also require that graduates pass a state test or examination as a prerequisite to becoming certified in certain fields, such as teaching and nursing. Many states will certify individuals if they have already been certified in another state.

Our College of Education is approved by the Arizona State Board of Education to offer Institutional Recommendations (credentials) for the certification of elementary, secondary, and special education teachers and school administrators. Our College of Nursing and Health Services is approved by the Arizona State Board of Nursing for the Bachelor of Science in Nursing and Master of Science — Nursing degrees. Due to varying requirements for professional licensure in each state, we inform students of the risks associated with obtaining professional licensure and that it is each student’s responsibility to determine what state, local, or professional licensure and certification requirements are necessary in his or her individual state.

Accreditation

We have been institutionally accredited since 1968 by the Higher Learning Commission and its predecessor, each a regional accrediting commission recognized by the Department of Education. Our accreditation was reaffirmed in 2007 as part of a regularly scheduled reaffirmation process. Accreditation is a private, non-governmental process for evaluating the quality of educational institutions and their programs in areas including student performance, governance, integrity, educational quality, faculty, physical resources, administrative capability and resources, and financial stability. To be recognized by the Department of Education, accrediting commissions must adopt specific standards for their review of educational institutions, conduct peer-review evaluations of institutions, and publicly designate those institutions that meet their criteria. An accredited school is subject to periodic review by its accrediting commissions to determine whether it continues to meet the performance, integrity and quality required for accreditation.

There are six regional accrediting commissions recognized by the Department of Education, each with a specified geographic scope of coverage, which together cover the entire United States. Most traditional, public and private non-profit, degree-granting colleges and universities are accredited by one of these six regional accrediting commissions. The Higher Learning Commission, which accredits Grand Canyon University, is the same regional accrediting commission that accredits such universities as the University of Arizona, Arizona State University, and other degree-granting public and private colleges and universities in the states of Arizona, Arkansas, Colorado, Illinois, Indiana, Iowa, Kansas, Michigan, Minnesota, Missouri, Nebraska, New Mexico, North Dakota, Ohio, Oklahoma, South Dakota, West Virginia, Wisconsin, and Wyoming.

Accreditation by the Higher Learning Commission is important to us for several reasons, including the fact that it enables our students to receive Title IV financial aid. Other colleges and universities depend, in part, on an institution’s accreditation in evaluating transfers of credit and applications to graduate schools. Employers rely on the accredited status of institutions when evaluating candidates’ credentials, and students and corporate and government sponsors under tuition reimbursement programs look to accreditation for assurance that an institution maintains quality educational standards. If we fail to satisfy the standards of the Higher Learning Commission, we could lose our accreditation by that agency, which would cause us to lose our eligibility to participate in the Title IV programs.

In addition to institution-wide accreditation, there are numerous specialized accrediting commissions that accredit specific programs or schools within their jurisdiction, many of which are in healthcare and professional fields. Accreditation of specific programs by one of these specialized accrediting commissions signifies that those programs have met the additional standards of those agencies. In addition to being accredited by the Higher Learning Commission, we also have the following specialized accreditations:

- The Association of Collegiate Business Schools and Programs accredits our Master of Business Administration degree program and our Bachelor of Science degree programs in Accounting, Business Administration, and Marketing;
- The Commission on Collegiate Nursing Education accredits our Bachelor of Science in Nursing and Master of Science — Nursing degree programs; and
- The Commission on Accreditation of Athletic Training Education accredits our Athletic Training Program.

If we fail to satisfy the standards of any of these specialized accrediting commissions, we could lose the specialized accreditation for the affected programs, which could result in materially reduced student enrollments in those programs.

Regulation of Federal Student Financial Aid Programs

To be eligible to participate in the Title IV programs, an institution must comply with specific requirements contained in the Higher Education Act and the regulations issued thereunder by the Department of Education. An institution must, among other things, be licensed or authorized to offer its educational programs by the state in which it is physically located (in our case, Arizona) and maintain institutional accreditation by an accrediting commission recognized by the Department of Education. We are currently certified to participate in the Title IV programs through June 30, 2008.

The substantial amount of federal funds disbursed to schools through the Title IV programs, the large number of students and institutions participating in these programs, and allegations of fraud and abuse by certain for-profit educational institutions have caused Congress to require the Department of Education to exercise considerable regulatory oversight over for-profit educational institutions. As a result, our institution is subject to extensive oversight and review. Because the Department of Education periodically revises its regulations and changes its interpretations of existing laws and regulations, we cannot predict with certainty how the Title IV program requirements will be applied in all circumstances.

Significant factors relating to the Title IV programs that could adversely affect us include the following:

Congressional action. Congress must reauthorize the Higher Education Act on a periodic basis, usually every five to six years. Congress' most recent comprehensive reauthorization of the Higher Education Act was in 1998, and it has been temporarily extended several times since then. Congress is currently considering a comprehensive reauthorization of the Higher Education Act and is expected to complete that process in 2008. In addition, in 2007 Congress enacted legislation that reduces interest rates on certain Title IV loans and government subsidies to lenders that participate in the Title IV programs. In May 2008, Congress enacted additional legislation to attempt to ensure that all eligible students will be able to obtain Title IV loans in the future, and that a sufficient number of lenders will continue to provide Title IV loans. Additional legislation is also pending in Congress. We are not in a position to predict with certainty whether any of the pending legislation will be enacted. The elimination of certain Title IV programs, material changes in the requirements for participation in such programs, or the substitution of materially different programs could increase our costs of compliance and could reduce the ability of some students to finance their education at our institution.

In addition, Congress must determine the funding levels for the Title IV programs on an annual basis through the budget and appropriations process. A reduction in federal funding levels for the Title IV programs could reduce the ability of some of our students to finance their education. The loss of or a significant reduction in Title IV program funds available to our students could reduce our enrollments and revenue.

Eligibility and certification procedures. Each institution must apply periodically to the Department of Education for continued certification to participate in the Title IV programs. Such recertification generally is required every six years, but may be required earlier, including when an institution undergoes a change in control. An institution may also come under the Department of Education's review when it expands its activities in certain ways, such as opening an additional location, adding a new educational program or modifying the academic credentials it offers. The Department of Education may place an institution on provisional certification status if it finds that the institution does not fully satisfy all of the eligibility and certification standards and in certain other circumstances, such as when an institution is certified for the first time or undergoes a change in control. During the period of provisional certification, the institution must comply with any additional conditions included in the school's program participation agreement with the Department of Education. In addition, the Department of Education may more closely review an institution that is provisionally certified if it applies for recertification or approval to open a new location, add an educational program, acquire another school, or make any other significant change. If the Department of Education determines that a provisionally certified institution is unable to meet its responsibilities under its program participation agreement, it may seek to revoke the institution's certification to participate in the Title IV programs without advance notice or opportunity for the institution to challenge the action. Students attending provisionally certified institutions remain eligible to receive Title IV program funds.

We are currently certified to participate in the Title IV programs through June 30, 2008, on a provisional basis. The Department of Education issued our current program participation agreement in May 2005, after an extended review following the change in control that occurred in February 2004. In the May 2005 recertification, the Department of Education imposed certain conditions on us, including a requirement that we post a letter of credit, accept restrictions on the growth of our program offerings and enrollment, and receive certain Title IV funds under the heightened cash monitoring system of payment (pursuant to which an institution is required to credit students with Title IV funds prior to obtaining those funds from the Department of Education) rather than by advance payment (pursuant to which an institution receives Title IV funds from the Department of Education in advance of disbursement to students). In October 2006, the Department of Education eliminated the letter of credit requirement and allowed the growth restrictions to expire, and in August 2007, it eliminated the heightened cash monitoring restrictions and returned us to the advance payment method. However, we remain certified on a provisional basis. Our current certification extends to June 30, 2008, and we submitted our application for recertification in March 2008, which remains pending. If the Department of Education does not make a decision on our recertification application on or before June 30, 2008, our provisional certification status will be extended on a month-to-month basis. There can be no assurance that the Department of Education will recertify us, or that it will not impose restrictions as a condition of approving our pending recertification application or with respect to any future recertification.

Administrative capability. Department of Education regulations specify extensive criteria by which an institution must establish that it has the requisite “administrative capability” to participate in the Title IV programs. To meet the administrative capability standards, an institution must, among other things:

- comply with all applicable Title IV program requirements;
- have an adequate number of qualified personnel to administer the Title IV programs;
- have acceptable standards for measuring the satisfactory academic progress of its students;
- not have student loan cohort default rates above specified levels;
- have various procedures in place for awarding, disbursing and safeguarding Title IV funds and for maintaining required records;
- administer the Title IV programs with adequate checks and balances in its system of internal controls;
- not be, and not have any principal or affiliate who is, debarred or suspended from federal contracting or engaging in activity that is cause for debarment or suspension;
- provide financial aid counseling to its students;
- refer to the Department of Education’s Office of Inspector General any credible information indicating that any student, parent, employee, third-party servicer or other agent of the institution has engaged in any fraud or other illegal conduct involving the Title IV programs;
- submit all required reports and financial statements in a timely manner; and
- not otherwise appear to lack administrative capability.

If an institution fails to satisfy any of these criteria, the Department of Education may:

- require the institution to repay Title IV funds its students previously received;
- transfer the institution from the advance method of payment of Title IV funds to heightened cash monitoring status or the reimbursement system of payment;
- place the institution on provisional certification status; or
- commence a proceeding to impose a fine or to limit, suspend or terminate the institution’s participation in the Title IV programs.

If we are found not to have satisfied the Department of Education’s administrative capability requirements, our students could lose, or be limited in their access to, Title IV program funding.

Financial responsibility. The Higher Education Act and Department of Education regulations establish extensive standards of financial responsibility that institutions such as Grand Canyon University must satisfy in order to participate in the Title IV programs. The Department of Education evaluates institutions for compliance with these standards on an annual basis, based on the institution’s annual audited financial statements, as well as when the institution applies to the Department of Education to have its eligibility to participate in the Title IV programs recertified. The most significant financial responsibility standard is the institution's composite score, which is derived from a formula established by the Department of Education based on three financial ratios:

- equity ratio, which measures the institution's capital resources, financial viability and ability to borrow;
- primary reserve ratio, which measures the institution's ability to support current operations from expendable resources; and
- net income ratio, which measures the institution's ability to operate at a profit or within its means.

The Department of Education assigns a strength factor to the results of each of these ratios on a scale from negative 1.0 to positive 3.0, with negative 1.0 reflecting financial weakness and positive 3.0 reflecting financial strength. The Department of Education then assigns a weighting percentage to each ratio and adds the weighted scores for the three ratios together to produce a composite score for the institution. The composite score must be at least 1.5 for the institution to be deemed financially responsible without the need for further Department of Education oversight. In addition to having an acceptable composite score, an institution must, among other things, provide the administrative resources necessary to comply with Title IV program requirements, meet all of its financial obligations including required refunds to students and any Title IV liabilities and debts, be current in its debt payments, and not receive an adverse, qualified, or disclaimed opinion by its accountants in its audited financial statements.

When we were recertified by the Department of Education in 2005 to continue participating in the Title IV programs, the Department of Education advised us that we did not satisfy its standards of financial responsibility, based on our fiscal year 2004 financial statements, as submitted to the Department of Education. As a result of this and other concerns about our administrative capability, the Department of Education required us to post a letter of credit, accept restrictions on the growth of our program offerings and enrollment, and receive Title IV funds under the heightened cash monitoring system of payment rather than by advance payment. In October 2006, the Department of Education eliminated the letter of credit requirement and allowed the growth restrictions to expire, based upon its review of our fiscal year 2005 financial statements. We subsequently submitted our fiscal year 2006 financial statements to the Department of Education as required, and we calculated that our composite score for that year exceeded 1.5.

We have applied the Department of Education's financial responsibility standards using the financial information included in our audited financial statements for the year ended December 31, 2007 included herein, and expect that our composite score for that year will also exceed 1.5. We therefore believe that we meet the Department of Education's financial responsibility standards for our most recently completed fiscal year. If the Department of Education were to determine that we did not meet the financial responsibility standards due to a failure to meet the composite score or other factors, we would expect to be able to establish financial responsibility on an alternative basis permitted by the Department of Education, which could include, in the Department's discretion, posting a letter of credit, accepting provisional certification, complying with additional Department of Education monitoring requirements, agreeing to receive Title IV program funds under an arrangement other than the Department of Education's standard advance funding arrangement, such as the reimbursement system of payment or heightened cash monitoring, and/or complying with or accepting other limitations on our ability to increase the number of programs we offer or the number of students we enroll.

The requirement to post a letter of credit or other sanctions imposed by the Department of Education could increase our cost of regulatory compliance and adversely affect our cash flows. If we are unable to meet the minimum composite score or comply with the other standards of financial responsibility, and could not post a required letter of credit or comply with the alternative bases for establishing financial responsibility, our students could lose their access to Title IV program funding.

Return of Title IV funds for students who withdraw. When a student who has received Title IV funds withdraws from school, the institution must determine the amount of Title IV program funds the student has "earned." If the student withdraws during the first 60% of any period of enrollment or payment period, the amount of Title IV program funds that the student has earned is equal to a pro rata portion of the funds the student received or for which the student would otherwise be eligible. If the student withdraws after the 60% threshold, then the student is deemed to have earned 100% of the Title IV program funds he or she received. The institution must then return the unearned Title IV program funds to the appropriate lender or the Department of Education in a timely manner, which is generally no later than 45 days after the date the institution determined that the student withdrew. If such payments are not timely made, the institution will be required to submit a letter of credit to the Department of Education equal to 25% of the Title IV funds that the institution should have returned for withdrawn students in its most recently completed fiscal year. Under Department of Education regulations, late returns of Title IV program funds for 5% or more of the withdrawn students in the audit sample in the institution's annual Title IV compliance audit for either of the institution's two most recent fiscal years or in a Department of Education program review triggers this letter of credit requirement. We did not exceed this 5% threshold in our annual Title IV compliance audit for either of our two most recent fiscal years.

The "90/10 Rule." A requirement of the Higher Education Act commonly referred to as the "90/10 Rule" provides that an institution loses its eligibility to participate in the Title IV programs, if, under a complex regulatory formula that requires cash basis accounting and other adjustments to the calculation of revenue, the institution derives more than 90% of its revenues for any fiscal year from Title IV program funds. This rule applies only to for-profit postsecondary educational institutions, including us. Any institution that violates the rule becomes ineligible to participate in the Title IV programs as of the first day of the fiscal year following the fiscal year in which it exceeds the 90% threshold, and it is unable to apply to regain its eligibility until the next fiscal year. If an institution exceeds the 90% threshold for a fiscal year and it and its students have received Title IV funds for the next fiscal year, it will be required to return those funds to the applicable lender or the Department of Education. Using the Department of Education's formula under the "90/10 Rule," for our 2006 and 2007 fiscal years we derived approximately 71.5 % and 74.0%, respectively, of our revenues (calculated on a cash basis) from Title IV program funds. Recent changes in federal law that increased Title IV grant and loan limits, and possible additional increases in the future, may result in an increase in the revenues we receive from the Title IV programs, which could make it more difficult for us to satisfy the "90/10 Rule."

Student loan defaults. Under the Higher Education Act, an educational institution may lose its eligibility to participate in some or all of the Title IV programs if defaults by its students on the repayment of their FFEL student loans exceed certain levels. For each federal fiscal year, the Department of Education calculates a rate of student defaults for each institution (known as a "cohort default rate"). An institution's FFEL cohort default rate for a federal fiscal year is calculated by determining the rate at which borrowers who became subject to their repayment obligation in that federal fiscal year defaulted by the end of the following federal fiscal year.

If the Department of Education notifies an institution that its FFEL cohort default rates for each of the three most recent federal fiscal years are 25% or greater, the institution's participation in the FFEL program and Pell program ends 30 days after that notification, unless the institution appeals that determination in a timely manner on specified grounds and according to specified procedures. In addition, an institution's participation in the FFEL program ends 30 days after notification by the Department of Education that its most recent FFEL cohort default rate is greater than 40%, unless the institution timely appeals that determination on specified grounds and according to specified procedures. An institution whose participation ends under either of these provisions may not participate in the relevant programs for the remainder of the fiscal year in which the institution receives the notification and for the next two fiscal years.

If an institution's FFEL cohort default rate equals or exceeds 25% in any single year, the institution may be placed on provisional certification status. Provisional certification does not limit an institution's access to Title IV program funds, but an institution on provisional status is subject to closer review by the Department of Education if it applies for recertification or approval to open a new location, add an educational program, acquire another school, or make any other significant change, and the Department of Education may revoke such institution's certification without advance notice if it determines that the institution is not fulfilling material Title IV program requirements. Our cohort default rates on FFEL program loans for the 2005, 2004 and 2003 federal fiscal years, the three most recent years for which such rates have been calculated, were 1.8%, 1.4%, and 1.2%, respectively. The FFEL cohort default rates for federal fiscal year 2006 are expected to be released by the Department of Education in September 2008, but the Department of Education advised us in February 2008 that our draft FFEL cohort default rate for federal fiscal year 2006 was 1.6%. Congress is considering legislation that would extend the period for including student defaults in an institution's default rate by one additional year, which if enacted is expected to increase the student loan default rates for most institutions.

Incentive compensation rule. An institution that participates in the Title IV programs may not provide any commission, bonus, or other incentive payment based directly or indirectly on success in securing enrollments or financial aid to any person or entity engaged in any student recruitment, admissions, or financial aid awarding activity. The Department of Education's regulations set forth 12 "safe harbors," which describe payments and arrangements that do not violate the incentive compensation rule, but the law and regulations governing this requirement do not establish clear criteria for compliance in all circumstances. The restrictions of the incentive compensation rule also extend to any third-party companies that an educational institution contracts with for student recruitment, admissions, or financial aid awarding services. Since 2005, we have engaged Mind Streams, LLC to assist us with student recruitment activities.

In recent years, several for-profit education companies have been faced with whistleblower lawsuits, known as "qui tam" cases, brought by former employees alleging that their institution had made impermissible incentive payments. The employees bringing such lawsuits typically seek, for themselves and for the federal government, substantial financial penalties against the subject company. If we or any third parties we have engaged or engage in the future violate the incentive compensation rule, we could be fined or sanctioned by the Department of Education, or subjected to other monetary penalties that could be substantial. Although there can be no assurance that the Department of Education or a court would not find deficiencies in our present or former compensation practices for employees and third parties, we believe that our employee compensation and third-party contractual arrangements comply with the incentive compensation rule.

Compliance reviews. We are subject to announced and unannounced compliance reviews and audits by various external agencies, including the Department of Education, its Office of Inspector General, state licensing agencies, agencies that guarantee FFEL loans, the Department of Veterans Affairs, and accrediting commissions. As part of the Department of Education's ongoing monitoring of institutions' administration of the Title IV programs, the Higher Education Act also requires institutions to annually submit to the Department of Education a Title IV compliance audit conducted by an independent certified public accountant in accordance with applicable federal and Department of Education audit standards. In addition, to enable the Department of Education to make a determination of an institution's financial responsibility, each institution must annually submit audited financial statements prepared in accordance with Department of Education regulations.

Privacy of student records. The Family Educational Rights and Privacy Act of 1974, or FERPA, and the Department of Education's FERPA regulations require educational institutions to protect the privacy of students' educational records by limiting an institution's disclosure of a student's personally identifiable information without the student's prior written consent. FERPA also requires institutions to allow students to review and request changes to their educational records maintained by the institution, to notify students at least annually of this inspection right, and to maintain records in each student's file listing requests for access to and disclosures of personally identifiable information and the interest of such party in that information. If an institution fails to comply with FERPA, the Department of Education may require corrective actions by the institution or may terminate an institution's receipt of further federal funds. In addition, educational institutions are obligated to safeguard student information pursuant to the Gramm-Leach-Bliley Act, or GLBA, a federal law designed to protect consumers' personal financial information held by financial institutions and other entities that provide financial services to consumers. GLBA and the applicable GLBA regulations require an institution to, among other things, develop and maintain a comprehensive, written information security program designed to protect against the unauthorized disclosure of personally identifiable financial information of students, parents, or other individuals with whom such institution has a customer relationship. If an institution fails to comply with the applicable GLBA requirements, it may be required to take corrective actions, be subject to monitoring and oversight by the Federal Trade Commission, or FTC, and be subject to fines or penalties imposed by the FTC. For-profit educational institutions are also subject to the general deceptive practices jurisdiction of the FTC with respect to their collection, use, and disclosure of student information.

Potential effect of regulatory violations. If we fail to comply with the regulatory standards governing the Title IV programs, the Department of Education could impose one or more sanctions, including transferring us to the reimbursement or cash monitoring system of payment, requiring us to repay Title IV program funds, requiring us to post a letter of credit in favor of the Department of Education as a condition for continued Title IV certification, taking emergency action against us, initiating proceedings to impose a fine or to limit, suspend, or terminate our participation in the Title IV programs, or referring the matter for civil or criminal prosecution. In addition, the agencies that guarantee FFEL loans for our students could initiate proceedings to limit, suspend, or terminate our eligibility to provide FFEL loans in the event of certain regulatory violations. If such sanctions or proceedings were imposed against us and resulted in a substantial curtailment or termination of our participation in the Title IV programs, our enrollments, revenues, and results of operations would be materially and adversely affected.

If we lost our eligibility to participate in the Title IV programs, or if the amount of available Title IV program funds was reduced, we would seek to arrange or provide alternative sources of revenue or financial aid for students. We believe that one or more private organizations would be willing to provide financial assistance to our students, but there is no assurance that this would be the case. The interest rate and other terms of such financial aid would likely not be as favorable as those for Title IV program funds, and we might be required to guarantee all or part of such alternative assistance or might incur other additional costs in connection with securing such alternative assistance. It is unlikely that we would be able to arrange alternative funding on any terms to replace all the Title IV funding our students receive. Accordingly, our loss of eligibility to participate in the Title IV programs, or a reduction in the amount of available Title IV program funding for our students, would be expected to have a material adverse effect on our results of operations, even if we could arrange or provide alternative sources of revenue or student financial aid.

In addition to the actions that may be brought against us as a result of our participation in the Title IV programs, we are also subject to complaints and lawsuits relating to regulatory compliance brought not only by our regulatory agencies, but also by other government agencies and third parties, such as present or former students or employees and other members of the public.

Uncertainties, increased oversight, and changes in student loan environment. During 2007 and 2008, student loan programs, including the Title IV programs, have come under increased scrutiny by the Department of Education, Congress, state attorneys general, and other parties. Issues that have received extensive attention include allegations of conflicts of interest between some institutions and lenders that provide Title IV loans, questionable incentives given by lenders to some schools and school employees, allegations of deceptive practices in the marketing of student loans, and schools leading students to use certain lenders. Several institutions and lenders have been cited for these problems and have paid several million dollars in the aggregate to settle those claims. The practices of numerous other schools and lenders are being examined by government agencies at the federal and state level. The Attorney General of the State of Arizona has previously requested extensive documentation and information from us and other institutions in Arizona concerning student loan practices, and we recently provided testimony in response to a subpoena from the Attorney General of the State of Arizona about such practices. While no penalties have been assessed against us, we do not know what the results of that investigation will be. As a result of this scrutiny, Congress has passed new laws, the Department of Education has enacted stricter regulations that take effect July 1, 2008, and several states have adopted codes of conduct or enacted state laws that further regulate the conduct of lenders, schools, and school personnel. These new laws and regulations, among other things, limit schools' relationships with lenders, restrict the types of services that schools may receive from lenders, prohibit lenders from providing other types of funding to schools in exchange for Title IV loan volume, require schools to provide additional information to students concerning institutionally preferred lenders, and significantly reduce the amount of federal payments to lenders who participate in the Title IV loan programs. In addition, recent adverse market conditions for consumer loans in general have begun to affect the student lending marketplace.

The cumulative impact of these developments and conditions has caused some lenders to cease providing Title IV loans to students, including some lenders that have previously provided Title IV loans to our students. Other lenders have reduced the benefits and increased the fees associated with the Title IV loans they do provide. We and other schools have had to modify student loan practices in ways that result in higher administrative costs. If the costs of their Title IV loans increase, some students may decide not to take out loans and not enroll in a postsecondary institution. In May 2008, new federal legislation was enacted to attempt to ensure that all eligible students will be able to obtain Title IV loans in the future and that a sufficient number of lenders will continue to provide Title IV loans. Among other things, the new legislation:

- authorizes the Department of Education to purchase Title IV loans from lenders, thereby providing capital to the lenders to enable them to continue making Title IV loans to students; and
- permits the Department of Education to designate institutions eligible to participate in a “lender of last resort” program, under which federally recognized student loan guaranty agencies will be required to make Title IV loans to all otherwise eligible students at those institutions.

We cannot predict whether this legislation will be effective in ensuring students’ access to Title IV loan funding. The environment surrounding access to and cost of student loans remains in a state of flux, with reviews of many institutions and lenders still pending and with additional legislative and regulatory changes being actively considered at the federal and state levels. The uncertainty surrounding these issues, and any resolution of these issues that increases loan costs or reduces students’ access to Title IV loans, may adversely affect our student enrollments.

Regulatory Standards that May Restrict Institutional Expansion or Other Changes

Many actions that we may wish to take in connection with expanding our operations or other changes are subject to review or approval by the applicable regulatory agencies.

Adding teaching locations, implementing new educational programs, and increasing enrollment. The requirements and standards of state education agencies, accrediting commissions, and the Department of Education limit our ability in certain instances to establish additional teaching locations, implement new educational programs, or increase enrollment in certain programs. Many states require review and approval before institutions can add new locations or programs, and Arizona also limits the number of undergraduate nursing students we may enroll (which represents a small portion of our overall nursing program). The Arizona State Board for Private Postsecondary Education, the Higher Learning Commission, and other state education agencies and specialized accrediting commissions that authorize or accredit us and our programs generally require institutions to notify them in advance of adding new locations or implementing new programs, and upon notification may undertake a review of the quality of the facility or the program and the financial, academic, and other qualifications of the institution. For instance, following applications we filed in December 2006, we received approval from the Higher Learning Commission and the Arizona State Board for Private Postsecondary Education in March 2008 to add our first doctoral level program.

With respect to the Department of Education, if an institution participating in the Title IV programs plans to add a new location or educational program, the institution must generally apply to the Department of Education to have the additional location or educational program designated as within the scope of the institution’s Title IV eligibility. However, a degree-granting institution such as us is not required to obtain the Department of Education’s approval of additional programs that lead to an associate, bachelor’s, professional, or graduate degree at the same degree level as programs previously approved by the Department of Education. Similarly, an institution is not required to obtain advance approval for new programs that prepare students for gainful employment in the same or a related recognized occupation as an educational program that has previously been designated by the Department of Education as an eligible program at that institution if it meets certain minimum-length requirements. However, as a condition for an institution to participate in the Title IV programs on a provisional basis, the Department of Education can require prior approval of such programs or otherwise restrict the number of programs an institution may add or the extent to which an institution can modify existing educational programs. If an institution that is required to obtain the Department of Education’s advance approval for the addition of a new program or new location fails to do so, the institution may be liable for repayment of the Title IV program funds received by the institution or students in connection with that program or enrolled at that location.

Acquiring other schools. While we have not acquired any other schools in the past, we may seek to do so in the future. The Department of Education and virtually all state education agencies and accrediting commissions require a company to seek their approval if it wishes to acquire another school. In our case, we would need to obtain the approval of the Arizona State Board for Private Postsecondary Education or other state education agency that licenses the school being acquired, the Higher Learning Commission, any other accrediting commission that accredits the school being acquired, and the Department of Education. The level of review varies by individual state and accrediting commission, with some requiring approval of such an acquisition before it occurs while others only consider approval after the acquisition has occurred. The approval of the applicable state education agencies and accrediting commissions is a necessary prerequisite to the Department of Education certifying the acquired school to participate in the Title IV programs under our ownership. The restrictions imposed by any of the applicable regulatory agencies could delay or prevent our acquisition of other schools in some circumstances.

Provisional certification. Each institution must apply to the Department of Education for continued certification to participate in the Title IV programs at least every six years, or when it undergoes a change in control, and an institution may come under the Department of Education's review when it expands its activities in certain ways, such as opening an additional location, adding an educational program, or modifying the academic credentials that it offers.

The Department of Education may place an institution on provisional certification status if it finds that the institution does not fully satisfy all of the eligibility and certification standards. In addition, if a company acquires a school from another entity, the acquired school will automatically be placed on provisional certification when the Department of Education approves the transaction. During the period of provisional certification, the institution must comply with any additional conditions or restrictions included in its program participation agreement with the Department of Education. Students attending provisionally certified institutions remain eligible to receive Title IV program funds, but if the Department of Education finds that a provisionally certified institution is unable to meet its responsibilities under its program participation agreement, it may seek to revoke the institution's certification to participate in the Title IV programs without advance notice or opportunity for the institution to challenge that action. In addition, the Department of Education may more closely review an institution that is provisionally certified if it applies for recertification or approval to open a new location, add an educational program, acquire another school, or make any other significant change.

We are currently certified to participate in the Title IV programs through June 30, 2008, on a provisional basis. The Department of Education issued our current program participation agreement in May 2005, after an extended review following the change in control that occurred in February 2004. The Department of Education's 2005 recertification imposed certain conditions on us, including a requirement that we post a letter of credit, accept restrictions on the growth of our program offerings and enrollment, and receive Title IV funds under the heightened cash monitoring system of payment rather than by advance payment. In October 2006, the Department of Education eliminated the letter of credit requirement and allowed the growth restrictions to expire, and in August 2007, it eliminated the heightened cash monitoring restrictions and returned us to the advance payment method. However, we remain certified on a provisional basis, which means that the Department of Education may more closely review our applications for recertification, new locations, new educational programs, acquisitions of other schools, or other significant changes, and it may revoke its certification of us without advance notice if it determines we are not fulfilling material Title IV requirements. Our current certification extends to June 30, 2008, and we submitted our application for recertification in March 2008, which remains pending. If the Department of Education does not make a decision on our recertification application on or before June 30, 2008, our provisional certification status will be extended on a month-to-month basis. There can be no assurance that the Department of Education will recertify us, or that it will not impose restrictions as a condition of approving our pending recertification application or with respect to any future recertification.

Change in ownership resulting in a change in control. Many states and accrediting commissions require institutions of higher education to report or obtain approval of certain changes in control and changes in other aspects of institutional organization or control. The types of and thresholds for such reporting and approval vary among the states and accrediting commissions. The Higher Learning Commission provides that an institution must obtain its approval in advance of a change in ownership in order for the institution to retain its accredited status, but the Higher Learning Commission does not set specific standards for determining when a transaction constitutes a change in ownership. In addition, in the event of a change in ownership, the Higher Learning Commission requires an onsite evaluation within six months in order to continue the institution's accreditation. Our other specialized accrediting commissions also require an institution to obtain similar approval before or after the event that constitutes the change in control under their standards.

Many states include the sale of a controlling interest of common stock in the definition of a change in control requiring approval, but their thresholds for determining a change in control vary widely. The standards of the Arizona State Board for Private Postsecondary Education provide that an institution undergoes a change in control if there is a transfer of 50% or more of its voting stock over a five-year period. In our case, we believe the five-year period to apply this standard would begin after our prior change in control in February 2004. A change in control under the definition of one of the other state agencies that regulate us might require us to obtain approval of the change in control in order to maintain our authorization to operate in that state, and in some cases such states could require us to obtain advance approval of the change in control.

Under Department of Education regulations, an institution that undergoes a change in control loses its eligibility to participate in the Title IV programs and must apply to the Department of Education in order to reestablish such eligibility. If an institution files the required application and follows other procedures, the Department of Education may temporarily certify the institution on a provisional basis following the change in control, so that the institution's students retain access to Title IV program funds until the Department of Education completes its full review. In addition, the Department of Education will extend such temporary provisional certification if the institution timely files other required materials, including the approval of the change in control by its state authorizing agency and accrediting commission and an audited balance sheet showing the financial condition of the institution or its parent corporation as of the date of the change in control. If the institution fails to meet any of these application and other deadlines, its certification will expire and its students will not be eligible to receive Title IV program funds until the Department of Education completes its full review, which commonly takes several months and may take longer. If the Department of Education approves the application after a change in control, it will certify the institution on a provisional basis for a period of up to approximately three years.

For corporations that are neither publicly traded nor closely held, such as us prior to this offering, Department of Education regulations describe some transactions that constitute a change in control, including the transfer of a controlling interest in the voting stock of the corporation or its parent corporation. For such a corporation, the Department of Education will generally find that a transaction results in a change in control if a person acquires ownership or control of 25% or more of the outstanding voting stock and control of the corporation, or a person who owns or controls 25% or more of the outstanding voting stock and controls the corporation ceases to own or control at least 25% of the outstanding voting stock or ceases to control the corporation. With respect to this offering, the Richardson family will continue to own or control more than 25% of the outstanding voting stock of the corporation following the offering.

We will notify or seek confirmation from the Department of Education, the Higher Learning Commission, the Arizona State Board for Private Postsecondary Education, and other state education agencies and accrediting commissions, as we believe necessary, that this offering will not constitute a change in control under their respective standards. We do not expect that this offering will result in a change in control for any of those agencies, or that any of those agencies will require us to obtain their approval in connection with this offering. If any of those agencies deemed this offering to be a change in control, we would have to apply for and obtain approval from that agency, in some cases in advance of this offering, according to its procedures. In addition, if the Department of Education deemed this offering to be a change in control, the Department of Education would apply a different set of financial tests to determine our financial responsibility in conjunction with its review and approval of the change in control. We would be required to submit a same-day audited balance sheet reflecting our financial condition immediately following the offering. Our same-day balance sheet would have to demonstrate an "acid test" ratio of at least 1:1, calculated by adding cash and cash equivalents to current accounts receivable and dividing the sum by total current liabilities (and excluding all unsecured or uncollateralized related party receivables). The same-day balance sheet would also have to demonstrate at least one dollar of positive tangible net worth. If we did not satisfy either of these requirements, the Department of Education could condition our continued certification for participation in the Title IV programs on our agreement to post a letter of credit in favor of the Department of Education and our acceptance of additional monitoring requirements.

A change in control also could occur as a result of future transactions in which we are involved following the consummation of this offering. Some corporate reorganizations and some changes in the board of directors are examples of such transactions. In addition, Department of Education regulations provide that a change in control occurs for a publicly traded corporation, which we will be after this offering, if either: (i) there is an event that would obligate the corporation to file a Current Report on Form 8-K with the SEC disclosing a change in control, or (ii) the corporation has a stockholder that owns at least 25% of the total outstanding voting stock of the corporation and is the largest stockholder of the corporation, and that stockholder ceases to own at least 25% of such stock or ceases to be the largest stockholder. These standards are subject to interpretation by the Department of Education. A significant purchase or disposition of our voting stock in the future, including a disposition of voting stock by the Richardson family, could be determined by the Department of Education to be a change in control under this standard. The potential adverse effects of a change in control could influence future decisions by us and our stockholders regarding the sale, purchase, transfer, issuance or redemption of our stock. In addition, the adverse regulatory effect of a change in control also could discourage bids for shares of our common stock and could have an adverse effect on the market price of our common stock.

Additional state regulation. Most state education agencies impose regulatory requirements on educational institutions operating within their boundaries. Some states have sought to assert jurisdiction over out-of-state educational institutions offering online degree programs that have no physical location or other presence in the state but that have some activity in the state, such as enrolling or offering educational services to students who reside in the state, employing faculty who reside in the state, or advertising to or recruiting prospective students in the state. State regulatory requirements for online education vary among the states, are not well developed in many states, are imprecise or unclear in some states, and can change frequently. In addition to Arizona, we have determined that our activities in certain states constitute a presence requiring licensure or authorization under the requirements of the state education agency in those states, and in other states we have obtained approvals as we have determined necessary in connection with our marketing and recruiting activities. We review the licensure requirements of other states when appropriate to determine whether our activities in those states constitute a presence or otherwise require licensure or authorization by the respective state education agencies. Because we enroll students from all 50 states and the District of Columbia, we expect we will have to seek licensure or authorization in additional states in the future. If we fail to comply with state licensing or authorization requirements for any state, we may be subject to the loss of state licensure or authorization by that state, or be subject to other sanctions, including restrictions on our activities in that state, fines, and penalties. The loss of licensure or authorization in a state other than Arizona could prohibit us from recruiting prospective students or offering services to current students in that state, which could significantly reduce our enrollments.

MANAGEMENT

Executive Officers and Directors

The following table sets forth information regarding our executive officers, directors, and director-nominees.

Name	Age	Position
Brent D. Richardson	46	Chief Executive Officer and Director
John E. Crowley	52	Chief Operating Officer
Christopher C. Richardson	35	General Counsel and Director
Timothy R. Fischer	59	Chief Financial Officer
Michael S. Lacrosse	53	Chief Information Officer
Dr. Kathy Player	45	Provost and Chief Academic Officer
Chad N. Heath	33	Director
D. Mark Dorman	47	Director
David J. Johnson	60	Director-Nominee
Jack A. Henry	64	Director-Nominee

Brent D. Richardson has been serving as our Chief Executive Officer and director since 2004. From 2000 to 2004, Mr. Richardson served as Chief Executive Officer of Masters Online, LLC, a company that provided online educational programs and marketing services to several regionally and nationally accredited universities. Prior to 2000, Mr. Richardson served as Director of Sales and Marketing and later General Manager of the Educational Division of Private Networks, a company that produced customized distance learning curricula for the healthcare and automotive industries. Mr. Richardson has over 20 years of experience in the education industry. Mr. Richardson earned his Bachelor of Science degree in Finance from Eastern Illinois University. Brent Richardson and Chris Richardson are brothers.

John E. Crowley has been serving as our Chief Operating Officer since 2004. Prior to 2004, Mr. Crowley served as the President of Educational Resources, a national distributor of educational software, technology solutions, and related services, and as President of Youth In Motion, Inc., a distributor of educational materials. Mr. Crowley earned his Bachelor of Finance degree and Master of Business Administration degree from Western New England College.

Christopher C. Richardson has been serving as our General Counsel since 2007 and as a director since 2004. From 2004 to 2007, Mr. Richardson served as legal counsel in our Office of General Counsel. Prior to 2004, Mr. Richardson served as the Chief Operating Officer for Masters Online, LLC, a company that provided online educational programs and marketing services to several regionally and nationally accredited universities. Mr. Richardson earned his Bachelor of Arts degree in Political Science from Brigham Young University, and Juris Doctor from the University of Arizona College of Law, where he graduated summa cum laude. Brent Richardson and Chris Richardson are brothers.

Timothy R. Fischer has been serving as our Chief Financial Officer since 2005. Prior to 2005, Mr. Fischer served as an independent management and financial consultant to both public and private companies in the Phoenix, Arizona area. Mr. Fischer is a member of the American Institute of Certified Public Accountants and is licensed as a certified public accountant by the New Mexico State Board of Public Accountancy. Mr. Fischer earned his Bachelor of Business Administration degree from Eastern New Mexico University.

Michael S. Lacrosse has been serving as our Chief Information Officer since August 2006. From February 2001 to August 2006, Mr. Lacrosse served as Chief Information Officer of Trax Technology, a global transportation management firm, and 21st Century Learning, an educational technology company which provides supplemental curriculum to K-12 students, professional development opportunities for teachers and administrators, as well as programs for parents.

Dr. Kathy Player has been serving as our Provost and Chief Academic Officer since 2007. From 1998 to 2007, Dr. Player served in several other leadership roles at Grand Canyon University, including most recently as Dean of the Ken Blanchard College of Business. Dr. Player earned her Doctorate of Education degree in Counseling Psychology from the University of Sarasota, a Master of Business Administration degree and a Master of Science degree in Nursing Leadership from Grand Canyon University, a Master of Science degree in Counseling from Nova Southeastern University, and a Bachelor of Science degree in Nursing from St. Joseph's College.

Chad N. Heath has been serving as a director of Grand Canyon University since 2005. Mr. Heath is a managing director of Endeavour Capital, a private equity firm based in Portland, Oregon that currently manages over $925 million in equity capital. Prior to joining Endeavour Capital, Mr. Heath served as a principal at Charterhouse Group International, a New York-based private equity firm focused on middle-market transactions. Prior to Charterhouse, Mr. Heath worked in the investment banking division of Merrill Lynch. Mr. Heath currently sits on the board of directors of Barrett-Jackson Holdings, LLC (dba: Barrett-Jackson Auction Company) and Skagit Northwest Holdings, Inc. (dba: Dri-Eaz Products). Mr. Heath received a Bachelor of Science in Business Administration degree, magna cum laude, from Georgetown University.

D. Mark Dorman has been serving as a director of Grand Canyon University since 2005. Mr. Dorman is a managing director of Endeavour Capital. Prior to joining Endeavour Capital, Mr. Dorman served as an investment banker at Green Manning & Bunch, a Denver-based investment banking firm focused on merger and acquisition transactions and advisory work for middle-market clients across the West. He also served in the investment banking groups of Boettcher & Company and Morgan Stanley. Mr. Dorman currently sits on the boards of directors of PSI Services Holding Inc. (dba: Policy Studies); SpeeCo, Inc.; Skagit Northwest Holdings, Inc. (dba: Dri-Eaz Products); and Barrett-Jackson Holdings, LLC (dba: Barrett-Jackson Auction Company). Mr. Dorman received a Bachelor of Science degree from Lewis & Clark College and a Master of Business Administration degree from Harvard Business School.

David J. Johnson has been nominated and has agreed to serve as a member of our board of directors effective upon the closing of the offering. From 1997 to 2006, Mr. Johnson served as Chief Executive Officer and chairman of the board of KinderCare Learning Centers, Inc., a for-profit provider of early childhood education and care services, and from 1991 to 1996, he served as President, Chief Executive Officer, and chairman of the board of Red Lion Hotels, Inc., a hotel company, each of which were portfolio companies of Kohlberg Kravis Roberts & Co. Prior to that time, Mr. Johnson served as a general partner of Hellman & Friedman, a private equity investment firm, from 1989 to 1991, as President, Chief Operating Officer and director of Dillingham Holdings, a diversified company, from 1986 to 1988, and as President and Chief Executive Officer of Cal Gas Corporation, a principal subsidiary of Dillingham Holdings, which was also a portfolio company of Kohlberg Kravis Roberts & Co., from 1984 to 1987.

Jack A. Henry has been nominated and has agreed to serve as a member of our board of directors effective upon the closing of the offering. Mr. Henry began his career with Arthur Andersen in 1966, and in 2000 retired as the managing partner of the Phoenix office. In 2000, Mr. Henry formed Sierra Blanca Ventures LLC, a private investment and advisory firm. He currently serves on the boards of directors of White Electronics Design Corporation and Point Blank Solutions, both of which are public reporting companies, and several other private companies. Mr. Henry previously served on the boards of directors of Simula, Inc., SOS Staffing Services, Inc., Vodavi Technology, Inc., Tickets.com, and VistaCare, Inc., all public reporting companies. Mr. Henry currently serves as President of the Arizona Chapter of the National Association of Corporate Directors. Mr. Henry holds a Bachelor of Business Administration degree and a Master of Business Administration degree from the University of Michigan.

Other than Brent Richardson and Chris Richardson, who are brothers, there are no family relationships among any of our directors or executive officers.

Board Composition

Our board of directors currently consists of four persons, including two independent directors, Messrs. Heath and Dorman. Effective upon consummation of this offering, our board will consist of at least six directors, our four current directors and our two director-nominees, four of whom will be independent. At each annual meeting, our stockholders elect our full board of directors. Directors may be removed at any time for cause by the affirmative vote of the holders of a majority of the voting power then entitled to vote.

Board Committees

Our board of directors directs the management of our business and affairs, as provided by Delaware law, and conducts its business through meetings of the board of directors. Effective upon the closing of this offering, our board of directors will establish three standing committees: an audit committee; a compensation committee; and a nominating and governance committee. In addition, from time to time, special committees may be established under the direction of the board of directors when necessary to address specific issues. The composition of the board committees will comply, when required, with the applicable rules of Nasdaq and applicable law. Our board of directors will adopt a written charter for each of the standing committees. These charters will be available on our website following the completion of the offering.

Audit Committee. Our audit committee will be comprised solely of “independent” directors as defined under and required by the rules of Nasdaq and the federal securities laws. Our audit committee will be directly responsible for, among other things, the appointment, compensation, retention, and oversight of our independent registered public accounting firm. The oversight includes reviewing the plans and results of the audit engagement with the firm, approving any additional professional services provided by the firm and reviewing the independence of the firm. Commencing with our first report on internal controls over financial reporting, the committee will be responsible for discussing the effectiveness of the internal controls over financial reporting with the firm and relevant financial management.

Compensation Committee. Our compensation committee will consist solely of “independent” directors as defined under and required by the rules of Nasdaq, “non-employee directors” under Section 16 of the Exchange Act, and “outside directors” for purposes of Section 162(m) of the Internal Revenue Code of 1986, as amended, or the Code. The compensation committee will be responsible for, among other things, supervising and reviewing our affairs as they relate to the compensation and benefits of our executive officers. In carrying out these responsibilities, the compensation committee will review all components of executive compensation for consistency with our compensation philosophy and with the interests of our stockholders.

Nominating and Governance Committee. Our nominating and governance committee will consist solely of “independent” directors as defined under and required by the rules of Nasdaq. The nominating and governance committee will be responsible for, among other things, identifying individuals qualified to become board members; selecting, or recommending to the board, director nominees for each election of directors; developing and recommending to the board criteria for selecting qualified director candidates; considering committee member qualifications, appointment and removal; recommending corporate governance principles, codes of conduct and compliance mechanisms; and providing oversight in the evaluation of the board and each committee.

Compensation Committee Interlocks and Insider Participation

There are no interlocking relationships requiring disclosure under the applicable rules promulgated under the U.S. federal securities laws.

Limitation of Liability and Indemnification

For information concerning limitation of liability and indemnification applicable to our directors, executive officers and, in certain cases, employees, please see “Description of Capital Stock” located elsewhere in this prospectus.

COMPENSATION DISCUSSION AND ANALYSIS

The following discussion and analysis should be read in conjunction with "Compensation of Named Executive Officers" and the related tables that are presented immediately below.

Overview

The purpose of this compensation discussion and analysis is to provide information about each material element of compensation that we pay or award to, or that is earned by, our named executive officers, who consist of our principal executive officer, principal financial officer, and our three other most highly compensated executive officers. For our 2007 fiscal year, our named executive officers were:

- Brent D. Richardson, our Chief Executive Officer;
- John E. Crowley, our Chief Operating Officer;
- Christopher C. Richardson, our General Counsel;
- Timothy R. Fischer, our Chief Financial Officer; and
- Michael S. Lacrosse, our Chief Information Officer.

This compensation discussion and analysis addresses and explains the compensation practices we followed in 2007, the numerical and related information contained in the summary compensation and related tables presented below, and actions we have taken regarding executive compensation since the end of our 2007 fiscal year.

Compensation Determinations

Prior to this offering, we have been a private company with a relatively small number of stockholders, including our lead outside investor, Endeavour Capital, and we have not been subject to exchange listing requirements requiring us to have a majority independent board or to exchange or SEC rules relating to the formation and functioning of board committees, including audit, nominating, and compensation committees. As such, most, if not all, of our compensation policies, and determinations applicable to our named executive officers, have been the product of negotiation between our named executive officers and Endeavour Capital. For additional information regarding the compensation committee of our board of directors that will oversee our compensation program following the completion of this offering, please see "Board Committees" above.

Objectives of Compensation Programs

We pay our executive officers based on business performance and individual performance, and, in setting compensation levels, we take into consideration the marketplace for the individuals that we wish to attract, retain, and motivate, our past practices and our current and anticipated future needs, and the relative skills and experience of each individual executive. To date, we have not utilized the services of a compensation consultant and have not engaged in any formal benchmarking when making policy-level or individual compensation determinations. Rather, compensation decisions have been made based on the knowledge of the market possessed by our board of directors, as supplemented by market knowledge of Endeavour Capital and our human resources department, and as negotiated with our named executive officers.

Compensation philosophy. Under our compensation philosophy, a named executive officer's total compensation will vary based on our overall performance and with the particular named executive officer's personal performance and contribution to overall results. This philosophy generally applies to all of our employees, with a more significant level of variability and compensation at risk depending upon an employee's function and level of responsibility. Our overall goals in implementing this philosophy are to attract, motivate, and retain highly qualified individuals responsible for guiding us and creating value for our investors.

Compensation objectives. We believe that the compensation program we follow helps us achieve the following objectives:

- *Compensation should be related to performance.* We believe that the performance-based portion of an individual's total compensation should increase as the individual's business responsibilities increase. Thus, a material portion of executive compensation should be linked to our and the individual's performance, which also serves to align the named executive officers' interests with those of our investors.
- *Compensation should be competitive and cost effective.* We believe that our compensation programs should foster an innovative, high integrity, and performance-oriented culture that serves to attract, motivate, and retain executives and other key employees with the appropriate skill sets to lead us through expected future growth in a dynamic and competitive environment. Accordingly, we should provide compensation in amounts necessary to achieve these goals and which is of fair value relative to other positions in Grand Canyon University.

Company compensation policies. A named executive officer's total in-service compensation consists of base salary, a cash bonus, and limited perquisites. With regard to these components, we have in the past adhered to the following compensation policies:

- *Founders with significant equity stakes require limited incentives.* As founders of our company, Brent Richardson and Chris Richardson have significant equity ownership in Grand Canyon University. We believe that the Richardsons' ownership stake provides a level of motivation that would not be appreciably enhanced through material cash bonus opportunities or the grant of further equity incentives. Accordingly, in 2007, the Richardsons were compensated solely through base salary and limited perquisites.
- *Base salaries should be the largest component of compensation*. Our compensation programs should reflect base salaries as being compensation for the named executive officers to perform the essential elements of their respective jobs, and cash bonuses as a reward for superior company and individual performance. In this regard, base salary should be the largest component of cash compensation, with cash bonuses being significantly less than base salaries.
- *Compensation should be paid in cash.* As a private company whose equity securities were not publicly traded prior to completion of this offering, we believed that the true compensatory value to be accorded to equity-based incentives would be difficult for both us and a recipient to determine. Accordingly, we have not in the past utilized equity-based incentives and have instead focused entirely on providing the opportunity for our named executive officers to earn total cash compensation at levels that enable us to achieve the motivation and retention goals described above.

We believe our policies have helped us achieve our compensation objectives of motivation and retention, as evidenced by the limited turnover in our executive officer ranks over the past several years.

Compensation Programs Design and Elements of Compensation

We choose to pay each element of compensation to further the objectives of our compensation program, which, as noted, includes the need to attract, retain, and reward key leaders critical to our success by providing competitive total compensation.

Elements of In-Service Compensation. For our 2007 fiscal year, our executive compensation mix included base salary, discretionary cash bonuses, and other benefits generally available to all employees. Perquisites were not a significant component of executive compensation. We generally determine the nature and amount of each element of compensation as follows:

- *Base salary.* We typically agree upon a base salary with a named executive officer at the time of initial employment, which may or may not be reflected in an employment agreement. The amount of base salary agreed upon, which is not at risk, reflects our views as to the individual executive's past experience, future potential, knowledge, scope of anticipated responsibilities, skills, expertise, and potential to add value through performance, as well as competitive industry salary practices. Although minimum base salaries for Brent Richardson, John Crowley, and Chris Richardson are set by their respective employment agreements, as described below, we review executive salaries annually and may adjust them based on an evaluation of the company's performance for the year and the performance of the functional area(s) under an executive's scope of responsibility. We also consider general market knowledge, as supplemented by the general market knowledge of our investors and human resources department, in making any adjustments. In some cases, competitive market information may be difficult to obtain due to the unique duties and responsibilities of a particular position. In those instances, we consider qualitative criteria, such as education and experience requirements, complexity, and scope or impact of the position compared to other executive positions internally.

- *Bonuses.* We provide cash bonuses, which are at-risk, to recognize and reward our named executive officers with cash payments above base salary based on our success in a given year. In the past, we have awarded bonus on a discretionary basis, and we have not implemented or followed a formal bonus plan tied to specific financial and non-financial objectives.
- *Perquisites.* We seek to compensate our named executive officers at levels that eliminate the need for perquisites and enable each individual officer to provide for his or her own needs. Accordingly, in 2007, the only perquisite we provided to any of our named executive officers was allowing Brent Richardson to utilize a car leased by Grand Canyon University.
- *Other.* We offer other employee benefits to key executives for the purpose of meeting current and future health and security needs for the executives and their families. These benefits, which we generally offer to all eligible employees, include medical, dental, and life insurance benefits; short-term disability pay; long-term disability insurance; flexible spending accounts for medical expense reimbursements; and a 401(k) retirement savings plan. The 401(k) retirement savings plan is a defined contribution plan under Section 401(a) of the Code. Employees may make pre-tax contributions into the plan, expressed as a percentage of compensation, up to prescribed IRS annual limits.

Elements of Post-Termination Compensation and Benefits. We are a party to written agreements that provide certain of our named executive officers with post-termination salary and benefit continuation while the officer searches for new employment. We believe that the amounts of these payments and benefits and the periods of time during which they would be provided are fair and reasonable, and we have not historically taken into account any amounts that may be received by a named executive officer following termination when establishing current compensation levels. The elements of post-termination compensation that we provide consist of the following:

- *Salary continuation.* Each of Brent Richardson, John Crowley, and Chris Richardson has a written employment agreement under which he will receive continuing salary payments for a stated period of time following termination of employment, unless such termination constitutes termination for cause. Under these agreements, Brent Richardson would continue to receive his then-current base salary for a period of 12 months following termination of employment, while John Crowley and Chris Richardson would receive such salary continuation for a period of six months following termination of employment, subject to an option by us to extend the period to 12 months if we seek to extend their post-termination non-compete and related covenants.
- *Benefits continuation.* Under their agreements, Brent Richardson, John Crowley, and Chris Richardson would also receive continuation of benefits during the applicable salary continuation period.

Impact of Performance on Compensation

In the past, we have reviewed overall company and individual performance in connection with our review of named executive officer compensation.

Company performance. In reviewing our performance, we focus principally on the achievement of net revenue and Adjusted EBITDA levels, and on maintaining regulatory compliance. Adjusted EBITDA is defined as net income (loss) plus interest expense net of interest income, income tax expense (benefit), and depreciation and amortization (EBITDA), as adjusted for (i) royalty payments incurred pursuant to an agreement with our former owner that has been terminated as of April 15, 2008, as discussed herein and in Note 2 to our financial statements included with this prospectus and (ii) management fees that are no longer paid or that will no longer be payable following completion of this offering. We focus on Adjusted EBITDA in connection with our compensation decisions because we believe that it provides useful information regarding our operating performance and executive performance as it does not give effect to items that management does not consider to be reflective of our core operating performance. See "Management's Discussion and Analysis — Non-GAAP Discussion." As such, we believe it is fair and reasonable to our executives to assess their individual performance on the same basis as our performance is assessed by our board of directors and investors.

Individual performance. In reviewing individual performance, we also look at an executive's achievement of non-financial objectives that, with respect to a given named executive officer, may include achieving objectives related to some or all of the following:

- enrollment growth;
- program development and expansion; and
- regulatory compliance.

Conclusion

We believe that the compensation amounts paid to our named executive officers for their service in 2007 were reasonable and appropriate and in our best interests.

Actions Taken in Current Fiscal Year

As discussed above, we have historically relied upon base salaries and cash bonuses to attract, motivate and retain our named executive officers. Effective upon the completion of this offering, we intend to adopt a 2008 Equity Incentive Plan, or our Incentive Plan, and a 2008 Employee Stock Purchase Plan, or our ESPP, to provide our directors, executive officers, and other employees with additional incentives by allowing them to acquire an ownership interest in our business and, as a result, encouraging them to contribute to our success. These plans, the intended terms of which are described below, will be effective upon the approval of our stockholders, which will occur immediately prior to the closing of the offering.

Incentive Plan. We will initially authorize and reserve a total of shares of our common stock for issuance under the Incentive Plan. This reserve will automatically increase on a cumulative basis on January 1, 2009 and each subsequent anniversary through 2017, by an amount equal to the smaller of (a) % of the number of shares of common stock issued and outstanding on the immediately preceding December 31, or (b) a lesser amount determined by our board of directors. We will make appropriate adjustments in the number of authorized shares and other numerical limits in the Incentive Plan and in outstanding awards to prevent dilution or enlargement of participants' rights in the event of a stock split or other change in our capital structure. Shares subject to awards that expire or are cancelled or forfeited will again become available for issuance under the Incentive Plan. The shares available will not be reduced by awards settled in cash or by shares withheld to satisfy tax withholding obligations. Only the net number of shares issued upon the exercise of stock appreciation rights or options exercised by means of a net exercise or by tender of previously owned shares will be deducted from the shares available under the Incentive Plan.

We may grant awards under the Incentive Plan to our employees, officers, directors, or consultants, or those of any future parent or subsidiary corporation or other affiliated entity. While we may grant incentive stock options only to employees, we may grant nonstatutory stock options, stock appreciation rights, restricted stock purchase rights or bonuses, restricted stock units, performance shares, performance units, and cash-based awards or other stock-based awards to any eligible participant.

Only members of the board of directors who are not employees at the time of grant will be eligible to participate in the non-employee director awards component of the Incentive Plan. The board of directors or the compensation committee will set the amount and type of non-employee director awards to be awarded on a periodic, non-discriminatory basis. Non-employee director awards may be granted in the form of nonstatutory stock options, stock appreciation rights, restricted stock awards and restricted stock unit awards.

In the event of a change in control, as described in the Incentive Plan, the acquiring or successor entity may assume or continue all or any awards outstanding under the Incentive Plan or substitute substantially equivalent awards. Any awards that are not assumed or continued in connection with a change in control or are not exercised or settled prior to the change in control will terminate effective as of the time of the change in control. The compensation committee may provide for the acceleration of vesting of any or all outstanding awards upon such terms and to such extent as it determines, except that the vesting of all non-employee director awards will automatically be accelerated in full. The Incentive Plan also authorizes the compensation committee, in its discretion and without the consent of any participant, to cancel each or any outstanding award denominated in shares upon a change in control in exchange for a payment to the participant with respect to each share subject to the cancelled award of an amount equal to the excess of the consideration to be paid per share of common stock in the change in control transaction over the exercise price per share, if any, under the award.

In conjunction with adoption of the Incentive Plan, our board of directors will approve a comprehensive policy relating to the granting of stock options and other equity-based awards. Under this policy:

- all stock option grants, restricted stock awards, and other equity based awards, which we collectively refer to as stock-based grants, must be approved by the compensation committee;
- all stock-based grants will be approved at formal meetings (including telephonic) of the compensation committee;
- the date for determining the strike price and similar measurements will be the date of the meeting (or a date shortly after the meeting) or, in the case of an employee, director, or consultant not yet hired, appointed, or retained, respectively, the subsequent date of hire, appointment, or retention, as the case may be;
- if our board of directors implements an annual stock-based grant, the grant will be approved at a regularly scheduled meeting of the compensation committee during the first part of the year, but after the annual earnings release, if any. We believe that coordinating any annual award grant after our annual earnings release, if any, will generally result in this grant being made at a time when the public is in possession of all material information about us;
- the annual grant to executive officers and directors, if any, will occur at the same time as the annual grant to other employees;
- we will not intentionally grant stock-based awards before the anticipated announcement of materially favorable news or intentionally delay the grant of stock-based awards until after the announcement of materially unfavorable news; and
- the compensation committee will approve stock-based grants only for persons specifically identified at the meeting by management.

ESPP. We will initially authorize and reserve a total of shares of our common stock for sale under the ESPP. In addition, the ESPP will provide for an automatic annual increase in the number of shares available for issuance under the plan on January 1 of each year beginning in 2009 and continuing through and including January 1, 2017 equal to the lesser of (a) % of our then issued and outstanding shares of common stock on the immediately preceding December 31, (b) shares or (c) a number of shares as our board of directors may determine. We will make appropriate adjustments in the number of authorized shares and in outstanding purchase rights to prevent dilution or enlargement of participants' rights in the event of a stock split or other change in our capital structure. Shares subject to purchase rights which expire or are canceled will again become available for issuance under the ESPP.

Our employees, and the employees of any future parent or subsidiary corporation or other affiliated entity, will be eligible to participate in the ESPP if they are customarily employed by us, or such other entity, if applicable, for more than 20 hours per week and more than five months in any calendar year. However, an employee may not be granted a right to purchase stock under the ESPP if: (a) the employee immediately after such grant would own stock possessing 5% or more of the total combined voting power or value of all classes of our capital stock, or (b) the employee's rights to purchase stock under the ESPP and Incentive Plan would accrue at a rate that exceeds $25,000 in value for each calendar year of participation in such plans.

The ESPP will be implemented through a series of sequential offering periods, generally three months in duration beginning on the first trading days of February, May, August, and November each year. However, the administrator may establish an offering period to commence on the effective date of the ESPP that will end on September 30, 2008. The administrator is authorized to establish additional or alternative sequential or overlapping offering periods and offering periods having a different duration or different starting or ending dates, provided that no offering period may have a duration exceeding 27 months.

Amounts accumulated for each participant, generally through payroll deductions, will be credited toward the purchase of shares of our common stock at the end of each offering period at a price generally equal to 95% of the fair market value of our common stock on the purchase date. Prior to commencement of an offering period, the administrator will be authorized to change the purchase price discount for that offering period, but the purchase price may not be less than 85% of the lower of the fair market value of our common stock at the beginning of the offering period or at the end of the offering period.

The maximum number of shares a participant may purchase in any three-month offering period will be the lesser of (a) that number of shares determined by multiplying (i) shares by (ii) the number of months (rounded to the nearest whole month) in the offering period and rounding to the nearest whole share, or (b) that number of whole shares determined by dividing (i) the product of $ and the number of months (rounded to the nearest whole month) in the offering period and rounding to the nearest whole dollar by (ii) the fair market value of a share of our common stock at the beginning of the offering period. Prior to the beginning of any offering period, the administrator may alter the maximum number of shares that may be purchased by any participant during the offering period or specify a maximum aggregate number of shares that may be purchased by all participants in the offering period. If insufficient shares remain available under the plan to permit all participants to purchase the number of shares to which they would otherwise be entitled, the administrator will make a pro rata allocation of the available shares. Any amounts withheld from participants' compensation in excess of the amounts used to purchase shares will be refunded.

In the event of a change in control, an acquiring or successor corporation may assume our rights and obligations under the ESPP. If the acquiring or successor corporation does not assume such rights and obligations, then the purchase date of the offering periods then in progress will be accelerated to a date prior to the change in control, and the number of shares of stock subject to outstanding purchase rights will not be adjusted.

Compensation of Named Executive Officers

The following table sets forth the total compensation earned for services rendered during fiscal year 2007 by our named executive officers.

2007 SUMMARY COMPENSATION TABLE

Name and Position	Year	Salary(1)	Bonus(2)	All Other Compensation	Total
Brent D. Richardson *Chief Executive Officer*	2007	$ 292,019	$ —	$ 15,312(3)	$ 307,331
John E. Crowley *Chief Operating Officer*	2007	292,019	14,000	—	306,019
Christopher C. Richardson *General Counsel*	2007	292,019	—	—	292,019
Timothy R. Fischer *Chief Financial Officer*	2007	194,500	25,000	—	219,500
Michael S. Lacrosse *Chief Information Officer*	2007	160,385	25,000	—	185,385

(1) For Brent Richardson, John Crowley, and Chris Richardson, represents the minimum base salary payable under their respective employment agreements of $250,000, as adjusted for fiscal year 2007 by the board of directors.

(2) Represents cash bonuses awarded to the recipients by the board of directors on a discretionary basis.

(3) Represents the value of lease payments made by Grand Canyon University on a vehicle utilized by Mr. Richardson.

Employment Agreements

We have entered into an employment agreement with each of Brent D. Richardson, John E. Crowley, and Christopher C. Richardson. Our board of directors approved the terms of each agreement. The material terms of the agreements are summarized below.

Agreement with Brent D. Richardson. Effective August 24, 2005, we and Brent Richardson entered into an employment agreement. The agreement remains in effect until Mr. Richardson's death, disability, separation from Grand Canyon as a result of a determination of the board of directors that separation is in our best interests, or a voluntary resignation by Mr. Richardson. The agreement provides for a minimum base salary of $250,000 per year, which may be increased in the discretion of the board of directors. Mr. Richardson may also receive a discretionary performance bonus, which may be awarded by the board of directors based upon the achievement of performance, budgetary, or other objectives that may, from time to time, be set by the board of directors. Mr. Richardson is also entitled to insurance, vacation, holidays, and other benefits that are consistent with those that we provide to our practices for our employees generally.

The agreement provides for certain benefits upon separation, as further described in the "Severance and Change of Control Payments" section below. The agreement also contains customary covenants requiring Mr. Richardson to maintain the confidentiality of information obtained in his capacity as an owner and member of our senior management team and prohibiting Mr. Richardson from, for a period of 24 months following any separation event, (i) competing with us, (ii) soliciting funds on behalf of or for the benefit of another regionally accredited higher education institution, (iii) soliciting current or prospective students, (iv) inducing or attempting to induce our employees to leave employment with us, and (v) interfering with our business relationships generally. Mr. Richardson is also prohibited from making any disparaging remarks about us.

Agreement with John E. Crowley. Effective August 24, 2005, we and John Crowley entered into an employment agreement. The agreement remains in effect until Mr. Crowley's death, disability, separation from us as a result of a determination of the board of directors that separation is in our best interests, or a voluntary resignation by Mr. Crowley. The agreement provides for a minimum base salary of $250,000 per year, which may be increased in the discretion of the board of directors. Mr. Crowley may also receive a discretionary performance bonus, which may be awarded by the board of directors based upon the achievement of performance, budgetary, or other objectives that may, from time to time, be set by the board of directors. Mr. Crowley is also entitled to insurance, vacation, holidays, and other benefits that are consistent with those that we provide to our practices for our employees generally. The agreement provides for certain benefits upon separation, as further described in the "Severance and Change of Control Payments" section below. The agreement also contains substantially similar covenants as those in the agreements with Brent Richardson, as described above.

Agreement with Christopher C. Richardson. Effective August 24, 2005, we and Chris Richardson entered into an employment agreement. The agreement with Chris Richardson contains substantially the same terms as the agreement with John Crowley. The agreement also provides for certain benefits upon separation as further described in the "Severance and Change of Control Payments" section below.

Severance and Change of Control Payments. The employment agreements with Brent Richardson, John Crowley, and Chris Richardson entitle them to certain severance payments and other benefits in the event of certain types of terminations, which are summarized below. The table below reflects the amount of compensation to be paid to each of them in the event of termination of such executive's employment. The amounts shown assume that such termination was effective as of December 31, 2007, and thus includes amounts earned through such time and are estimates of the amounts that would be paid out to the executives upon their termination. The actual amounts to be paid out can only be determined at the time of such executive's separation from the company.

Named Executive Officer	Triggering Event(1)(2)	Payment/Benefit	Material Conditions	Potential Value(3)
Brent Richardson	Separation by Mr. Richardson for "Good Reason" or termination by us without "Cause"	Continued payment of base salary and provision of benefits for 12 months following separation	Mr. Richardson must abide by the confidentiality, non-competition, non-solicitation and non-disparagement covenants discussed above for 24 months	$ 300,373
	Termination by us for "Cause," death or disability of Mr. Richardson, separation by Mr. Richardson without "Good Reason," or sale of Grand Canyon University	No severance payments, but Mr. Richardson will receive benefits as determined in accordance with the plans or programs providing for such benefits	See above	8,354
John Crowley	Separation by Mr. Crowley for "Good Reason" or termination by us without "Cause"	Continued payment of base salary and provision of benefits for six months following separation, with the option by us to extend such payments (and related benefits) for up to 12 months following separation	Mr. Crowley must abide by the confidentiality, non-competition, non-solicitation and non-disparagement covenants discussed above for 12 months (subject to extension to 24 months)	295,004
	Termination by us for "Cause," death or disability of Mr. Crowley, separation by Mr. Crowley without "Good Reason," or sale of Grand Canyon University	No severance payments, but Mr. Crowley will receive benefits as determined in accordance with the plans or programs providing for such benefits	See above	2,985
Chris Richardson	Separation by Mr. Richardson for "Good Reason" or termination by us without "Cause"	Continued payment of base salary and provision of benefits for six months following separation, with the option by us to extend such payments (and related benefits) for up to 12 months following separation	Mr. Richardson must abide by the confidentiality, non-competition, non-solicitation and non-disparagement covenants discussed above for 12 months (subject to extension to 24 months)	300,373
	Termination by us for "Cause," death or disability of Mr. Richardson, separation by Mr. Richardson without "Good Reason," or sale of Grand Canyon University	No severance payments, but Mr. Richardson will receive benefits as determined in accordance with the plans or programs providing for such benefits	See above	8,354

(1) "Good Reason" is generally defined in the employment agreements to include a resignation within 30 days after the occurrence of any one of the following: (a) the failure by us to pay amounts owed to the executive following 15 days prior written notice of such failure; (b) the assignment to the executive of duties materially inconsistent with the executive's title or the failure to elect or reelect the executive to his position; or (c) a requirement by us that the executive perform services at a location that is more than 50 miles from our main campus.

(2) "Cause" is generally defined in the employment agreements to include: (a) the executive's commission of a felony or crime involving moral turpitude, any other willful act or omission involving dishonesty or fraud with respect to us or our customers or suppliers, misappropriation of our funds or assets for personal use or engaging in conduct bringing substantial public disgrace or disrepute to us; (b) the executive's neglect of duties following notice, gross misconduct in performance of duties or material and repeated failure to perform duties; (c) the executive's engaging in conduct that constitutes cause for separation under applicable law, and (d) the executive's breaching the confidentiality, non-competition, non-solicitation, and non-disparagement covenants applicable to him.

(3) Assumes that, in the case of Chris Richardson and John Crowley, we exercise our option to extend severance payments beyond the required six month period, as described in the table above. Also assumes health insurance premiums of $696.20 per month, $248.74 per month, and $696.20 per month for Brent Richardson, John Crowley, and Chris Richardson, respectively, over the periods indicated.

Compensation of Directors

To date, we have not paid our directors any compensation for their services in that capacity. We do reimburse our non-employee directors for all reasonable expenses incurred by them to attend board and committee meetings.

After the completion of this offering, we intend to pay our non-employee directors an annual cash retainer for their board and board committee service and a per meeting fee for each meeting of the board attended. We also intend to pay the members of our audit, compensation, and nominating and corporate governance committees an additional annual cash retainer, and the chairs of such committees an additional annual cash retainer. In addition, non-employee directors will be eligible to receive awards under our Incentive Plan. We will reimburse all directors for reasonable expenses incurred to attend our board and board committee meetings.

We also anticipate appointing Mr. David J. Johnson, one of our director-nominees, as our lead independent director and to provide him an annual cash retainer and equity award in addition to those received by board members generally.

CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS

Policies and Procedures for Related Person Transactions

In connection with this offering, we intend to adopt a written code of business conduct and ethics, or code of conduct, effective as of the date of and applicable to transactions on or after the offering, pursuant to which our executive officers, directors, and principal stockholders, including their immediate family members and affiliates, will not be permitted to enter into a related person transaction with us without the prior consent of our audit committee, or other independent committee of our board of directors in the event it is inappropriate for our audit committee to review such transaction due to a conflict of interest. Any request for us to enter into a transaction with an executive officer, director, principal stockholder or any of such persons' immediate family members or affiliates, in which the amount involved exceeds $120,000, will first be presented to our audit committee for review, consideration, and approval. All of our directors, executive officers, and employees will be required to report to our audit committee any such related person transaction. In approving or rejecting the proposed agreement, our audit committee shall consider the facts and circumstances available and deemed relevant to the audit committee, including, but not limited to, the risks, costs and benefits to us, the terms of the transaction, the availability of other sources for comparable services or products, and, if applicable, the impact on a director's independence. Our audit committee shall approve only those agreements that, in light of known circumstances, are in, or are not inconsistent with, our best interests, as our audit committee determines in the good faith exercise of its discretion. Under the policy, if we should discover related person transactions that have not been approved, the audit committee will be notified and will determine the appropriate action, including ratification, rescission, or amendment of the transaction. This policy has not been and will not be applied to the transactions described below.

Stockholders Agreement

In connection with our conversion from a limited liability company to a corporation and the related investment in us by Endeavour Capital Fund IV, L.P. and certain of its affiliates, which we refer to as the Endeavour Entities, 220 GCU, L.P. and certain of its affiliates, and certain other investors on August 24, 2005, we entered into a stockholders agreement with the Endeavour Entities and certain other parties. The stockholders agreement, as amended, contains agreements among the parties with respect to the election of our directors and restrictions on the issuance or transfer of shares, including special corporate governance provisions. Each of our current directors was appointed pursuant to the terms of the stockholders agreement. Upon the completion of this offering, the stockholders agreement will terminate in accordance with its terms.

Investor Rights Agreement

In connection with the August 24, 2005 transaction referred to above, we also entered into an investor rights agreement with the Endeavour Entities, 220 GCU, L.P. and certain of its affiliates, and certain other named parties. The investor rights agreement, as amended, contains agreements among the parties with respect to registration rights, information rights and certain operating covenants that we must comply with during the term of the agreement. Upon the completion of this offering, the investor rights agreement will terminate with respect to the information rights and other covenants, but will remain in effect with respect to the registration rights provisions. See "Description of Capital Stock — Registration Rights" for a description of the registration rights that will remain in effect following the closing of this offering.

Voting Agreement

As discussed in "Regulation — Regulatory Standards that May Restrict Institutional Expansion or Other Changes — Change in Ownership Resulting in a Change in Control," many states and accrediting commissions require institutions of higher education to report or obtain approval of certain changes in control and changes in other aspects of institutional organization or control. In connection with this offering, certain of our stockholders intend to enter into a proxy and voting agreement whereby such persons will grant to Brent D. Richardson, our chief executive officer and director, and Christopher C. Richardson, our general counsel and director, a five-year irrevocable proxy to exercise all voting authority with respect to all shares of our common stock held by such persons. As a result of the proxy and voting agreement, prior to this offering the Richardsons will have voting authority with respect to approximately 64.8% of our outstanding shares of capital stock. See “Beneficial Ownership of Common Stock.”

Endeavour Professional Services Agreement

In connection with the August 24, 2005 transaction referred to above, we entered into a professional services agreement with Endeavour Capital IV, LLC. Under the agreement, we engaged Endeavour Capital IV, LLC as a consultant to our board of directors on business and financial matters, including, without limitation, corporate strategy, budgeting, acquisition and divestiture strategies, and debt and equity financings. Under the agreement, we paid Endeavour Capital IV, LLC a one time fee of $340,667 upon execution of the agreement and agreed to pay Endeavour Capital IV, LLC a consulting fee of $250,000 per year thereafter, subject to annual increases as determined by the board of directors (not including those directors appointed by Endeavour) based on performance. In addition, we agreed to reimburse Endeavour Capital IV, LLC for reasonable legal, due diligence, travel and other out-of-pocket expenses, and to indemnify Endeavour Capital IV, LLC and its affiliates for any action or inaction related to the agreement, except as a result of their gross negligence or intentional misconduct. The fees paid by us to Endeavour Capital IV, LLC in 2005, 2006, and 2007 constituted less than 5% of Endeavour Capital IV, LLC’s consolidated gross revenues for each such year. The professional services agreement will terminate by its terms upon the closing of this offering.

Financing Transactions

The following summarizes sales by us of our capital stock to certain of our directors, executive officers, holders of more than 5% of our voting securities, and their affiliates and immediate family members in private placement financing transactions since 2005.

Series A Convertible Preferred Stock Issuance. On March 31, 2005, we sold $14.0 million aggregate principal amount of notes to the Endeavour Entities. On August 24, 2005, we sold 5,953 shares of our newly designated Series A preferred stock at a purchase price of $3,233.67 per share, or $19.3 million in total gross proceeds, of which 4,948 shares were sold to the Endeavour Entities and 1,005 shares were sold to 220 GCU, L.P. A substantial portion of the purchase price paid by the Endeavour Entities was paid through the contributions to us of the notes that were previously issued to the Endeavour Entities. The general partner of the Endeavour Entities is Endeavour Capital IV, LLC, of which Mr. D. Mark Dorman and Mr. Chad N. Heath, two of our directors, are managing directors. Mr. Charles M. Preston III, one of our former directors, is an affiliate of 220 Management, LLC, which is the general partner of 220 GCU GP, LP, the general partner of 220 GCU, L.P.

Series B Convertible Preferred Stock Issuance. On December 31, 2005, we issued 2,163 shares of our newly designated Series B preferred stock and received gross proceeds of approximately $7.0 million, or $3,236.25 per share, in the form of a stock subscription receivable. The receivable was subsequently paid in April 2006. Of these shares, 1,298 were sold to the Endeavour Entities and 865 were sold to Rich Crow Enterprises, LLC. Rich Crow Enterprises, LLC is a limited liability company whose members include Brent Richardson, our chief executive officer and a director, John Crowley, our chief operating officer, and Chris Richardson, our general counsel and a director. Later in 2006, the shares of Series B preferred stock sold to the Endeavour Entities were redeemed for cash at their stated repurchase price.

Series C Preferred Stock Issuance. On December 18, 2007 and January 11, 2008, we sold an aggregate of 3,829 shares of our newly designated Series C preferred stock at a purchase price of $3,500.00 per share, or approximately $13.4 million in total gross proceeds, of which 1,675 shares were sold to the Endeavour Entities, 834 shares were sold to Rich Crow Enterprises, LLC, and 935 shares were sold to 220 GCU, LP and certain of its affiliates. The purchase price payable by Rich Crow Enterprises for its shares of Series C preferred stock was paid through the contribution to us of the 865 outstanding shares of Series B preferred stock it purchased in 2006.

Special Distribution

We intend to declare a special distribution that will be paid promptly upon the completion of this offering to our stockholders of record as of , 2008. The payment of the special distribution with the gross proceeds of this offering permits a return of capital to all of our stockholders of record as of the record date, and does so without significantly decreasing our capital resources or requiring these stockholders to sell their shares. The aggregate amount of the special distribution will be equal to % of the gross proceeds received by us from the sale of stock in this offering. Assuming an initial public offering price of $ per share, which is the midpoint of the price range set forth on the cover page of this prospectus, we estimate that the amount of the special distribution will be $ million, or $ per common share on an as-if converted basis.

Each $1.00 increase or decrease in the assumed public offering price of $ per share would increase or decrease, as applicable, the aggregate amount of the special distribution by $ million and the per share amount of the special distribution by $, assuming the number of shares offered by us, as set forth on the cover page of this prospectus, remains the same. Similarly, any increase or decrease in the number of shares that we sell in the offering will increase or decrease the special distribution and our net proceeds in proportion to such increase or decrease, as applicable, multiplied by the offering price per share, with respect to our net proceeds, less underwriting discounts and commissions and offering expenses.

Of the estimated aggregate amount of the special distribution, $ million will be paid in respect of shares of our capital stock over which our directors and executive officers as a group are deemed to exercise sole or shared voting or investment power. These proceeds will be allocated among such group as set forth in the following table.

	Special Distribution
Directors	
Chad N. Heath(1)	$
D. Mark Dorman(1)	$
Executive Officers	
Brent D. Richardson	$
John E. Crowley	$
Christopher C. Richardson	$
All directors and executive officers as a group	$

(1) Represents shares owned by Endeavour Capital Fund IV, L.P. and certain affiliated funds. D. Mark Dorman and Chad N. Heath, two of our directors, are managing directors of Endeavour Capital IV, LLC, the general partner of such funds.

Arrangement with Mind Streams

We are a party to an agreement with Mind Streams, LLC, which is owned and operated, in part, by Gail Richardson, father to Brent Richardson, our chief executive officer and a director, and Chris Richardson, our general counsel and a director. Pursuant to this agreement, Mind Streams identifies qualified applicants for admission to Grand Canyon University in return for which it is a paid a stated percentage of the net revenue (calculated as tuition actually received, less scholarships, refunds, and allowances) derived by us from those identified applicants that matriculate at Grand Canyon University. The term of the agreement runs through December 31, 2010, and can be terminated by either party upon 45 days' prior written notice. We previously were previously a party to an agreement with 21st Century Learning, which was owned by Gail Richardson, Brent Richardson, and Chris Richardson, providing for a similar revenue sharing arrangement. This agreement was terminated in 2005 when we entered into the agreement with Mind Streams. For the years ended December 31, 2005, 2006 and 2007, we paid $2.8 million, $3.7 million and $4.3 million, respectively, to these parties pursuant to this arrangement for students enrolled and expenses reimbursed.

Arrowhead Management

We previously had a non-cancelable operating lease agreement for administrative facilities with Arrowhead Holdings Management Co., LLC, which is owned by, among others, irrevocable trusts for the benefit of Brent Richardson and Chris Richardson. We paid approximately $0.2 million to Arrowhead for services and reimbursements during the year ended December 31, 2005.

Center for Educational Excellence

The Center for Educational Excellence, LLC was created to explore opportunities to promote and enhance the academic experience we offer. John Crowley, our chief operating officer, is a member of The Center for Educational Excellence, LLC. For the year ended December 31, 2007, we paid approximately $0.6 million of expenses incurred by The Center for Educational Excellence, LLC, of which $0.3 million was reimbursed to us.

Arrangement with Vergo Marketing

From time to time we obtain marketing services from Vergo Marketing, Inc., of which the sister-in-law of Brent Richardson, our chief executive officer, is a significant stockholder and chief executive officer. For the year ended December 31, 2007, we paid Vergo Marketing, Inc. $0.5 million for such services.

Youth in Motion Consulting Arrangement

Youth in Motion, Inc. is owned by John Crowley, our chief operating officer. For the years ended December 31, 2005, 2006, and 2007, we paid to Youth in Motion, Inc. $0.2 million, $0.1 million, and $0, respectively, for consulting services rendered.

Significant Ventures Consulting Agreement

Significant Ventures, LLC held approximately 9.3% of our common stock immediately prior to this offering. On January 8, 2004, we entered into a consulting agreement with Significant Ventures, Inc., predecessor to Significant Ventures, LLC. This consulting agreement terminated by its terms on December 31, 2006. For the years ended December 31, 2005, 2006, and 2007, we paid $0.1 million, $0.4 million, and $0, respectively, to Significant Ventures for services rendered and expenses reimbursed pursuant to this arrangement.

220 Consulting Agreement

On January 8, 2004, we entered into a consulting agreement with 220 Partners, LLC, which is affiliated with Charles M. Preston III, one of our former directors who is an affiliate of certain of our significant stockholders. This consulting agreement terminated by its terms on December 31, 2006. For the years ended December 31, 2005, 2006, and 2007, we paid $0.3 million, $0.3 million, and $0, respectively, to 220 Partners, LLC for services rendered and expenses reimbursed pursuant to this arrangement.

BENEFICIAL OWNERSHIP OF COMMON STOCK

The following table sets forth information regarding the beneficial ownership of our common stock as of April 30, 2008, and as adjusted to reflect the sale of common stock being offered in this offering, for:

- each person, or group of affiliated persons, known to us to own beneficially 5% or more of our outstanding common stock;
- each of our directors and director-nominees;
- each of our named executive officers; and
- all of our directors and named executive officers as a group.

The information in the following table has been presented in accordance with the rules of the SEC. Under SEC rules, beneficial ownership of a class of capital stock includes any shares of such class as to which a person, directly or indirectly, has or shares voting power or investment power and also any shares as to which a person has the right to acquire such voting or investment power within 60 days through the exercise of any stock option, warrant or other right. If two or more persons share voting power or investment power with respect to specific securities, each such person is deemed to be the beneficial owner of such securities. Except as we otherwise indicate below and under applicable community property laws, we believe that the beneficial owners of the common stock listed below, based on information they have furnished to us, have sole voting and investment power with respect to the shares shown. Unless otherwise noted below, the address for each holder listed below is 3300 W. Camelback Road, Phoenix, Arizona 85017.

For purposes of calculating beneficial ownership, we have assumed that, as of April 30, 2008:

- The outstanding shares of our Series A preferred stock are converted into an equal number of shares of common stock;
- The outstanding shares of our Series C preferred stock, which will convert into common stock upon the closing of the offering based on a conversion price equal to the initial public offering price per share, are converted into an equal number of shares of common stock; and
- We will issue shares of common stock in the offering.

	Beneficially Owned Prior to the Offering(1)		Beneficially Owned After Offering		Beneficially Owned After Over-Allotment(2)	
	Shares	Percent	Shares	Percent	Shares	Percent
Principal Stockholders:						
Endeavour Capital Fund IV, L.P. and affiliates(3)	6,623	32.6%				
220 GCU, LP and affiliates(4)	4,754	23.4%				
Significant Ventures, LLC(5)	1,865	9.2%				
Directors and Named Executive Officers:						
Brent D. Richardson(6)	13,159	64.8%				
John E. Crowley(7)	243	1.2%				
Christopher C. Richardson(6)	13,159	64.8%				
Timothy N. Fischer	—	—				
Michael S. Lacrosse	—	—				
Chad N. Heath(8)	6,623	32.6%				
D. Mark Dorman(8)	6,623	32.6%				
David J. Johnson	—	—				
Jack A. Henry	—	—				
All directors, director-nominees, and executive officers as a group (9 persons)	19,782	97.4%				

* Represents beneficial ownership of less than 1%

(1) The percentage of beneficial ownership as to any person as of a particular date is calculated by dividing the number of shares beneficially owned by such person, which includes the number of shares as to which such person has the right to acquire voting or investment power within 60 days after such date, by the sum of the number of shares outstanding as of such date plus the number of shares as to which such person has the right to acquire voting or investment power within 60 days after such date. Consequently, the denominator for calculating beneficial ownership percentages may be different for each beneficial owner.

(2) Amounts presented assume that the over-allotment option is exercised in full.

(3) Consists of:

- 4,213 shares of common stock issuable upon the conversion of shares of Series A preferred stock and approximately 1,426 shares of common stock issuable upon the conversion of shares of Series C preferred stock, in each case held of record by Endeavour Capital Fund IV, L.P.;
- 258 shares of common stock issuable upon the conversion of shares of Series A preferred stock and approximately 87 shares of common stock issuable upon the conversion of shares of Series C preferred stock, in each case held of record by Endeavour Associates Fund IV, L.P.; and
- 477 shares of common stock issuable upon the conversion of shares of Series A preferred stock and approximately 161 shares of common stock issuable upon the conversion of shares of Series C preferred stock, in each case held of record by Endeavour Capital Parallel Fund IV, L.P.

Endeavour Capital IV, LLC is the general partner of the Endeavour Entities, and has voting and dispositive power with respect to the shares held by the Endeavour Entities. Messrs. Chad N. Heath and D. Mark Dorman, each of whom is a managing director of Endeavour Capital IV, LLC and serves on our board of directors, disclaim beneficial ownership of these shares except to the extent of his respective pecuniary interest. The address for these entities is 920 SW Sixth Avenue, Suite 1400, Portland, Oregon 97204.

(4) Consists of

- 1,005 shares of common stock issuable upon the conversion of shares of Series A preferred stock and approximately 340 shares of common stock issuable upon the conversion of shares of Series C preferred stock, in each case held of record by 220 GCU, LP;
- 710 shares of common stock and approximately 162 shares of common stock issuable upon the conversion of shares of Series C preferred stock, in each case held of record by 220 Education, LP;
- 568 shares of common stock and approximately 130 shares of common stock issuable upon the conversion of shares of Series C preferred stock, in each case held of record by 220-SigEd, LP; and
- 1,326 shares of common stock and approximately 303 shares of common stock issuable upon the conversion of shares of Series C preferred stock, in each case held of record by SV One, LP.

220 Management, LLC is the general partner of 220 GCU GP, LP and SV One GP, LP, which are the general partners of 220 GCU, LP and SV One LP, respectively. 220 Management, LLC is also the general partner of 220 Education, LP, which is the general partner of 220 SigEd, LP. 220 Management, LLC has dispositive power with respect to the shares held by 220 GCU, LP, 220 Education, LP, 220 SigEd, LP, and SV One, LP, which we collectively refer to as the 220 Entities, and is affiliated with Charles M. Preston III, one of our former directors. The address for these entities is c/o 220 Partners, LLC, One American Center, 600 Congress Avenue, Suite 200, Austin, Texas 78701. Pursuant to a proxy and voting agreement expected to be entered into prior to the closing of this offering, Messrs. Brent Richardson and Chris Richardson have voting power over the shares beneficially owned by the 220 Entities. Each of Messrs. Brent Richardson and Chris Richardson disclaim beneficial ownership of such shares, except to the extent of such voting interest.

(5) Consists of 1,516 shares of common stock and approximately 349 shares of common stock issuable upon the conversion of shares of Series C preferred stock.

(6) Consists of:

- 1,833 shares of common stock held of record by Rich Crow Enterprises, LLC and Masters Online, LLC and 267 shares of common stock issuable upon the conversion of Series C preferred stock held of record by Rich Crow Enterprises, LLC, in each case which are attributable to, and beneficially owned by, Mr. Brent D. Richardson.
- 1,834 shares of common stock held of record by Rich Crow Enterprises, LLC and Masters Online, LLC and 267 shares of common stock issuable upon conversion of Series C preferred stock held of record by Rich Crow Enterprises, LLC, in each case which are attributable to, and beneficially owned by, Mr. Christopher C. Richardson.
- 1,833 shares of common stock held of record by Rich Crow Enterprises, LLC and Masters Online, LLC and 267 shares of common stock issuable upon the conversion of Series C preferred stock held of record by Rich Crow Enterprises, LLC, in each case which are attributable to, and beneficially owned by, the sister of Mr. Richardson.
- 209 shares of common stock held of record by Rich Crow Enterprises, LLC and approximately 33 shares of common stock issuable upon the conversion of Series C preferred stock held of record by Rich Crow Enterprises, LLC, in each case which are attributable to, and beneficially owned by, Mr. John Crowley.
- The shares held by the 220 Entities and the 1,865 shares held by Significant Ventures, as described in Note (4) and (5) above.
- 170 shares of common stock and 35 shares of common stock issuable upon the conversion of Series C preferred stock held of record by other stockholders.

Pursuant to a proxy and voting agreement expected to be entered into prior to the closing of this offering, Messrs. Brent Richardson and Chris Richardson have voting power over the shares beneficially owned by their sister and by Mr. Crowley, as well as those covered by the 220 Entities, Significant Ventures, and the other stockholders. Each of Messrs. Brent Richardson and Chris Richardson disclaims beneficial ownership of such shares, except to the extent of such voting interest.

(7) Consists of 209 shares of common stock and approximately 33 shares of common stock issuable upon the conversion of Series C preferred stock, in each case held of record by Rich Crow Enterprises, LLC, in each case which are attributable to, and beneficially owned by, Mr. John Crowley. Pursuant to a proxy and voting agreement expected to be entered into prior to the closing of this offering, Messrs. Brent Richardson and Chris Richardson have voting power over the shares beneficially owned by Mr. Crowley. Each of Messrs. Brent Richardson and Chris Richardson disclaim beneficial ownership of such shares, except to the extent of such voting interest.

(8) Consists of 4,948 shares of common stock issuable upon conversion of Series A preferred stock and 1,675 shares of common stock issuable upon the conversion of Series C preferred stock, in each case held of record by the Endeavour Entities (see note (3) above). Messrs. Chad N. Heath and D. Mark Dorman, each of whom is a managing member of Endeavour Capital IV, LLC, the general partner of the Endeavour Entities, and serves on our board of directors, disclaim beneficial ownership of these shares except to the extent of his respective pecuniary interest.

DESCRIPTION OF CAPITAL STOCK

General

The following description of our capital stock summarizes provisions of our certificate of incorporation and bylaws as they will be in effect upon completion of the offering. As of the date of this prospectus, our authorized capital stock consists of shares of common stock, $0.01 par value per share, and shares of preferred stock, $0.01 par value per share, of which are designated as Series A preferred stock and are designated as Series C preferred stock. Immediately after completion of this offering, after giving effect to the conversion of our outstanding Series A preferred stock and Series C preferred stock into common stock and the effectiveness of our amended and restated certificate of incorporation, our authorized capital stock will consist of shares of common stock, $0.01 par value per share, and shares of undesignated preferred stock, $0.01 par value per share.

The following description of the material provisions of our capital stock and our charter and bylaws is only a summary, does not purport to be complete and is qualified by applicable law and the full provisions of our charter and bylaws. You should refer to our charter and bylaws as in effect upon the closing of this offering, which are included as exhibits to the registration statement of which this prospectus is a part.

Common Stock

As of May 9, 2008, there were 20,307 shares of our common stock outstanding and held of record by seven stockholders, assuming conversion of all outstanding shares of preferred stock into an equal number of shares of common stock.

Voting Rights. Holders of common stock are entitled to one vote per share on any matter to be voted upon by stockholders. All shares of common stock rank equally as to voting and all other matters. The shares of common stock have no preemptive or conversion rights, no redemption or sinking fund provisions, are not liable for further call or assessment and are not entitled to cumulative voting rights.

Dividend Rights. Subject to the prior rights of holders of preferred stock, for as long as such stock is outstanding, the holders of common stock are entitled to receive ratably any dividends when and as declared from time to time by the board of directors out of funds legally available for dividends. We have never declared or paid cash dividends. We currently intend to retain all future earnings for the operation and expansion of our business and do not anticipate paying cash dividends on the common stock in the foreseeable future.

Liquidation Rights. Upon a liquidation or dissolution of our company, whether voluntary or involuntary, creditors and holders of our preferred stock with preferential liquidation rights will be paid before any distribution to holders of our common stock. After such distribution, holders of common stock are entitled to receive a pro rata distribution per share of any excess amount.

Undesignated Preferred Stock

Under our charter, which will be effective upon the completion of this offering, the board of directors has authority to issue undesignated preferred stock without stockholder approval. The board of directors may also determine or alter for each class of preferred stock the voting powers, designations, preferences, and special rights, qualifications, limitations, or restrictions as permitted by law. The board of directors may authorize the issuance of preferred stock with voting or conversion rights that could adversely affect the voting power or other rights of the holders of the common stock. Issuing preferred stock provides flexibility in connection with possible acquisitions and other corporate purposes, but could also, among other things, have the effect of delaying, deferring or preventing a change in control of our company and may adversely affect the market price of our common stock and the voting and other rights of the holders of common stock.

Warrants

As of April 30, 2008, we had outstanding a warrant to purchase an aggregate of 498 shares of our common stock at exercise prices of approximately $1,057 per share, subject to adjustments to the exercise price and number of shares of common stock underlying these warrants upon the occurrence of specified events, including any recapitalization, consolidation or merger, or sale of all assets. Under the original terms of the warrant, we were entitled to repurchase the warrant for an aggregate price of $16.0 million. Under an amendment to the warrant that was effected in connection with our 2005 conversion from a limited liability company to a corporation, the right to repurchase the warrant, as well as a right to repurchase any shares issued upon exercise of the warrant, in each case for $16.0 million, was transferred to a holding company owned by our original investors. In connection with this offering, if such investors do not exercise such right, then we may exercise the right to repurchase the warrant or the underlying shares. We intend to use up to $16.0 million of the gross proceeds of this offering to repurchase any portion of the warrant or the underlying shares not purchased by such investors. See "Use of Proceeds" for further information.

Registration Rights

We are a party to an amended investor rights agreement with the Endeavour Entities, the 220 Entities, and certain other parties pursuant to which we agreed, under certain circumstances, to register shares of common stock held by each of the parties to the agreement under the Securities Act. The registration rights provisions of the investor rights agreement grant to the Endeavour Capital funds the right, beginning 90 days following the completion of this offering, to cause us, at our expense, to use our reasonable commercial efforts to register such securities held by the Endeavour Capital funds for public resale, subject to certain limitations. The exercise of this right will be limited to two requests. In the event that we register any of our common stock following completion of this offering, the Endeavour Capital funds and the other holders are entitled to "piggyback" registration rights in which they may require us to include their securities in future registration statements that we may file, either for our own account or for the account of other security holders exercising registration rights. In addition, after we have completed our initial public offering, these entities have the right to request that their shares of common stock be registered on a Registration Statement on Form S-3 so long as the anticipated aggregate sales price of such registered securities as of the date of filing of the Registration Statement on Form S-3 is at least $1 million. These registration rights are subject to various conditions and limitations, including the right of the underwriters of an offering to limit the number of registrable securities that may be included in the offering. We are generally required to bear all of the expenses of these registrations, except underwriting discounts and selling commissions and transfer taxes, if any. Registration of any securities pursuant to these registration rights will result in shares becoming freely tradable without restriction under the Securities Act immediately upon effectiveness of such registration.

Provisions of Delaware Law and our Charter and Bylaws with Anti-Takeover Implications

Charter and Bylaw Provisions

Our charter and bylaws will, upon completion of this offering, include a number of provisions that may have the effect of encouraging persons considering unsolicited tender offers or other unilateral takeover proposals to negotiate with our board of directors rather than pursue non-negotiated takeover attempts. These provisions include the items described below.

Board Composition and Filling Vacancies. Our bylaws will provide that directors may be removed only for cause by the affirmative vote of the holders of a majority of the voting power of all the outstanding shares of capital stock entitled to vote generally in the election of directors voting together as a single class. Furthermore, any vacancy on our board of directors, however occurring, including a vacancy resulting from an increase in the size of our board, may only be filled by the affirmative vote of a majority of our directors then in office even if less than a quorum.

No Written Consent of Stockholders. Our charter will provide that all stockholder actions are required to be taken by a vote of the stockholders at an annual or special meeting, and that stockholders may not take any action by written consent in lieu of a meeting.

Meetings of Stockholders. Our bylaws will provide that only a majority of the members of our board of directors then in office may call special meetings of stockholders and only those matters set forth in the notice of the special meeting may be considered or acted upon at a special meeting of stockholders. Our bylaws will limit the business that may be conducted at an annual meeting of stockholders to those matters properly brought before the meeting.

Advance Notice Requirements. Our bylaws will establish advance notice procedures with regard to stockholder proposals relating to the nomination of candidates for election as directors or new business to be brought before meetings of our stockholders. These procedures provide that notice of stockholder proposals must be timely given in writing to our corporate secretary prior to the meeting at which the action is to be taken. Generally, to be timely, notice must be received at our principal executive offices not less than 120 days prior to the first anniversary date of the annual meeting for the preceding year. The notice must contain certain information specified in the bylaws.

Amendment to Bylaws and Charter. As required by the DGCL, any amendment of our charter must first be approved by a majority of our board of directors and, if required by law or our charter, thereafter be approved by a majority of the outstanding shares entitled to vote on the amendment, and a majority of the outstanding shares of each class entitled to vote thereon as a class, except that the amendment of the provisions relating to stockholder action, directors, limitation of liability and the amendment of our bylaws and certificate of incorporation must be approved by no less than $66^2/_3$ percent of the voting power of all of the shares of capital stock issued and outstanding and entitled to vote generally in any election of directors, voting together as a single class. Our bylaws may be amended by the affirmative vote of a majority vote of the directors then in office, subject to any limitations set forth in the bylaws; and may also be amended by the affirmative vote of at least $66^2/_3$ percent of the voting power of all of the shares of capital stock issued and outstanding and entitled to vote generally in any election of directors, voting together as a single class.

Blank Check Preferred Stock. Our charter will provide for authorized shares of preferred stock. The existence of authorized but unissued shares of preferred stock may enable our board of directors to render more difficult or to discourage an attempt to obtain control of us by means of a merger, tender offer, proxy contest, or otherwise. For example, if in the due exercise of its fiduciary obligations, our board of directors were to determine that a takeover proposal is not in the best interests of us or our stockholders, our board of directors could cause shares of preferred stock to be issued without stockholder approval in one or more private offerings or other transactions that might dilute the voting or other rights of the proposed acquirer or insurgent stockholder or stockholder group. In this regard, our certificate of incorporation grants our board of directors broad power to establish the rights and preferences of authorized and unissued shares of preferred stock. The issuance of shares of preferred stock could decrease the amount of earnings and assets available for distribution to holders of shares of common stock. The issuance may also adversely affect the rights and powers, including voting rights, of these holders and may have the effect of delaying, deterring, or preventing a change in control of us.

Section 203 of the Delaware General Corporate Law

Upon completion of this offering, we will be subject to the provisions of Section 203 of the DGCL. In general, Section 203 prohibits a publicly held Delaware corporation from engaging in a "business combination" with an "interested stockholder" for a three-year period following the time that this stockholder becomes an interested stockholder, unless the business combination is approved in a prescribed manner. A "business combination" includes, among other things, a merger, asset or stock sale, or other transaction resulting in a financial benefit to the interested stockholder. An "interested stockholder" is a person who, together with affiliates and associates, owns, or did own within three years prior to the determination of interested stockholder status, 15% or more of the corporation's voting stock. Under Section 203, a business combination between a corporation and an interested stockholder is prohibited unless it satisfies one of the following conditions:

- before the stockholder became interested, the board of directors approved either the business combination or the transaction which resulted in the stockholder becoming an interested stockholder;
- upon consummation of the transaction which resulted in the stockholder becoming an interested stockholder, the interested stockholder owned at least 85% of the voting stock of the corporation outstanding at the time the transaction commenced, excluding for purposes of determining the voting stock outstanding, shares owned by persons who are directors and also officers, and employee stock plans, in some instances; or
- at or after the time the stockholder became interested, the business combination was approved by the board of directors of the corporation and authorized at an annual or special meeting of the stockholders by the affirmative vote of at least two-thirds of the outstanding voting stock which is not owned by the interested stockholder.

Limitations of Director Liability and Indemnification Directors, Officers and Employees

As permitted by the DGCL, provisions in our charter and bylaws that will be in effect at the closing of this offering will limit or eliminate the personal liability of our directors. Consequently, directors will not be personally liable to us or our stockholders for monetary damages or breach of fiduciary duty as a director, except for liability for:

- any breach of the director's duty of loyalty to us or our stockholders;
- any act or omission not in good faith or that involves intentional misconduct or a knowing violation of law;
- any unlawful payments related to dividends or unlawful stock repurchases, redemptions or other distributions; or
- any transaction from which the director derived an improper personal benefit.

These limitations of liability do not alter director liability under the federal securities laws and do not affect the availability of equitable remedies, such as an injunction or rescission.

In addition, our bylaws provide that:

- we will indemnify our directors, officers and, in the discretion of our board of directors, certain employees, to the fullest extent permitted by the DGCL, subject to limited exceptions, including an exception for indemnification in connection with a proceeding (or counterclaim) initiated by such persons; and
- we will advance expenses, including attorneys' fees, to our directors and, in the discretion of our board of directors, certain officers and employees, in connection with legal proceedings, subject to limited exceptions.

Contemporaneous with the completion of this offering, we intend to enter into indemnification agreements with each of our executive officers and directors. These agreements provide that, subject to limited exceptions and among other things, we will indemnify each of our executive officers and directors to the fullest extent permitted by law and advance expenses to each indemnitee in connection with any proceeding in which a right to indemnification is available.

We also intend to maintain general liability insurance that covers certain liabilities of our directors and officers arising out of claims based on acts or omissions in their capacities as directors or officers, including liabilities under the Securities Act. Insofar as indemnification for liabilities arising under the Securities Act may be permitted to directors, officers, or persons who control Grand Canyon University, we have been informed that in the opinion of the SEC such indemnification is against public policy as expressed in the Securities Act and is therefore unenforceable.

These provisions may discourage stockholders from bringing a lawsuit against our directors for breach of their fiduciary duty. These provisions may also have the effect of reducing the likelihood of derivative litigation against directors and officers, even though such an action, if successful, might otherwise benefit us and our stockholders. Furthermore, a stockholder's investment may be adversely affected to the extent we pay the costs of settlement and damage awards against directors and officers pursuant to these indemnification provisions. We believe that these provisions, the indemnification agreements and the insurance are necessary to attract and retain talented and experienced directors and officers.

At present, there is no pending litigation or proceeding involving any of our directors or officers where indemnification will be required or permitted. We are not aware of any threatened litigation or proceeding that might result in a claim for such indemnification.

Nasdaq

Before the date of this prospectus, there has been no public market for the common stock. We intend to apply to have our common stock approved for listing on the Nasdaq Global Market, subject to notice of issuance, under the symbol "LOPE."

Transfer Agent and Registrar

The transfer agent and registrar for our common stock is   .

SHARES ELIGIBLE FOR FUTURE SALE

Upon the closing of this offering, we will have outstanding an aggregate of approximately shares of common stock. Of these shares, shares of common stock to be sold in this offering, or shares if the underwriters exercise their over-allotment option in full, will be freely tradable without restriction or further registration under the Securities Act, unless the shares are held by any of our affiliates, as that term is defined in Rule 144 of the Securities Act. All remaining shares were issued and sold by us in private transactions and are eligible for public sale only if registered under the Securities Act or sold in accordance with Rule 144 or Rule 701, each of which is discussed below. In addition, upon completion of this offering, we will have outstanding stock options held by employees and directors for the purchase of shares of common stock.

The holders of all of our currently outstanding stock and holders of substantially all of our currently outstanding stock options are subject to lock-up agreements under which they have agreed not to transfer or dispose of, directly or indirectly, any shares of common stock or any securities convertible into or exercisable or exchangeable for shares of common stock, for a period of 180 days after the date of this prospectus, which is subject to extension in some circumstances, as discussed below.

As a result of the lock-up agreements described below and the provisions of Rule 144 and Rule 701 under the Securities Act, the shares of our common stock (excluding the shares to be sold in this offering) will be available for sale in the public market as follows:

- shares will be eligible for sale on the date of this prospectus;
- shares will be eligible for sale under Rule 144 or Rule 701 beginning 90 days after the date of this prospectus; and
- shares will be eligible for sale upon the expiration of the lock-up agreements, as more particularly and except as described below, beginning after expiration of the lock-up period pursuant to Rule 144 or Rule 701.

We expect the remaining shares to become eligible for future sale in the public market pursuant to Rule 144 at varying times after six months from the date of this prospectus.

Rule 144

In general, under Rule 144, beginning 90 days after the date of this prospectus, a person who is not our affiliate, has not been our affiliate for the previous three months, and who has beneficially owned shares of our common stock for at least six months may sell all such shares. An affiliate or a person who has been our affiliate within the previous 90 days, and who has beneficially owned shares of our common stock for at least six months, may sell within any three-month period a number of shares that does not exceed the greater of:

- one percent of the number of shares of common stock then outstanding, which will equal approximately shares immediately after this offering; and
- the average weekly trading volume of our common stock during the four calendar weeks preceding the filing of a notice on Form 144 with respect to the sale.

All sales under Rule 144 are subject to the availability of current public information about us. Sales under Rule 144 by affiliates or persons who have been affiliates within the previous 90 days are also subject to manner of sale provisions and notice requirements. Upon expiration of the 180-day lock-up period, subject to any extension of the lock-up period under circumstances described below, approximately shares of our outstanding restricted securities will be eligible for sale under Rule 144.

Registration Statement on Form S-8

We intend to file one or more registration statements on Form S-8 under the Securities Act covering up to shares of common stock reserved for issuance under our Incentive Plan and our ESPP. These registration statements are expected to be filed soon after the date of this prospectus and will automatically become effective upon filing. Accordingly, shares registered under such registration statements will be available for sale in the open market, unless such shares are subject to vesting restrictions with us or are otherwise subject to the lock-up agreements and manner of sale and notice requirements that apply to affiliates under Rule 144 described above.

Lock-Up Agreements

For a description of the lock-up agreements with the underwriters that restrict sales of shares by us, or directors, executive officers, and stockholders, see the information under the heading “Underwriting.”

Registration Rights

For a description of registration rights with respect to our common stock, see the information under the heading titled “Description of Capital Stock — Registration Rights.”

MATERIAL U.S. FEDERAL INCOME AND ESTATE TAX CONSIDERATIONS FOR NON-U.S. HOLDERS

The following is a general discussion of the material U.S. federal income and estate tax consequences to non-U.S. Holders with respect to the acquisition, ownership and disposition of our common stock. In general, a "Non-U.S. Holder" is any holder of our common stock other than the following:

- a citizen or resident of the United States, including an alien individual who is a lawful permanent resident of the United States or meets the "substantial presence" test under section 7701(b)(3) of the Code;
- a corporation (or an entity treated as a corporation) created or organized in the United States or under the laws of the United States, any state thereof, or the District of Columbia;
- an estate, the income of which is subject to U.S. federal income tax regardless of its source; or
- a trust, if (i) a U.S. court can exercise primary supervision over the administration of the trust and one or more U.S. persons can control all substantial decisions of the trust, or (ii) it has a valid election to be treated as a U.S. person in effect.

This discussion is based on current provisions of the Code, Treasury Regulations promulgated under the Code, judicial opinions, published positions of the Internal Revenue Service, or IRS, and all other applicable authorities, all of which are subject to change, possibly with retroactive effect. This discussion does not address all aspects of U.S. federal income and estate taxation or any aspects of state, local, or non-U.S. taxation, nor does it consider any specific facts or circumstances that may apply to particular Non-U.S. Holders that may be subject to special treatment under the U.S. federal income tax laws, such as insurance companies, tax-exempt organizations, financial institutions, brokers, dealers in securities, and U.S. expatriates. If a partnership is a beneficial owner of our common stock, the treatment of a partner in the partnership will generally depend upon the status of the partner and the activities of the partnership. This discussion assumes that the Non-U.S. Holder will hold our common stock as a capital asset, generally property held for investment.

PROSPECTIVE INVESTORS ARE URGED TO CONSULT THEIR TAX ADVISORS REGARDING THE U.S. FEDERAL, STATE, LOCAL, AND NON-U.S. INCOME AND OTHER TAX CONSIDERATIONS OF ACQUIRING, HOLDING, AND DISPOSING OF SHARES OF COMMON STOCK.

Dividends

As described above under "Dividend Policy," except in connection with our special distribution, we do not anticipate declaring or paying any cash dividends on our common stock in the foreseeable future. However, if we do make distributions on our common stock, those payments will constitute dividends for U.S. tax purposes to the extent paid from our current and accumulated earnings and profits, as determined under U.S. federal income tax principles. To the extent those distributions exceed our current and accumulated earnings and profits, they will constitute a return of capital and will first reduce the recipient's basis in our common stock, but not below zero, and then will be treated as gain from the sale of stock as described below under "— Gain on Sale or Other Disposition of Common Stock."

In general, dividends paid to a Non-U.S. Holder will be subject to U.S. withholding tax at a rate equal to 30% of the gross amount of the dividend, or a lower rate prescribed by an applicable income tax treaty, unless the dividends are effectively connected with a trade or business carried on by the Non-U.S. Holder within the United States. Under applicable Treasury Regulations, a Non-U.S. Holder will be required to satisfy certain certification requirements, generally on IRS Form W-8BEN, directly or through an intermediary, in order to claim a reduced rate of withholding under an applicable income tax treaty. If tax is withheld in an amount in excess of the amount prescribed by an applicable income tax treaty, a refund of the excess amount may generally be obtained by filing an appropriate claim for refund with the IRS.

Dividends that are effectively connected with such a U.S. trade or business (and where a tax treaty applies, are attributable to a U.S. permanent establishment maintained by the recipient) generally will not be subject to U.S. withholding tax if the Non-U.S. Holder files the required forms, including IRS Form W-8ECI, or any successor form, with the payor of the dividend, but instead generally will be subject to U.S. federal income tax on a net income basis in the same manner as if the Non-U.S. Holder were a resident of the United States. A corporate Non-U.S. Holder that receives effectively connected dividends may be subject to an additional branch profits tax at a rate of 30%, or a lower rate prescribed by an applicable income tax treaty, with respect to effectively connected dividends (subject to adjustment).

Gain on Sale or Other Disposition of Common Stock

In general, a Non-U.S. Holder will not be subject to U.S. federal income tax on any gain realized upon the sale or other taxable disposition of the Non-U.S. Holder’s shares of common stock unless:

- the gain is effectively connected with a trade or business carried on by the Non-U.S. Holder within the United States;
- the Non-U.S. Holder is an individual who holds shares of common stock as capital assets and is present in the United States for 183 days or more in the taxable year of disposition and various other conditions are met; or
- our common stock constitutes a U.S. real property interest by reason of our status as a “United States real property holding corporation,” or USRPHC, for U.S. federal income tax purposes at any time within the shorter of the five-year period preceding the disposition or the Non-U.S. Holder’s holding period for our common stock.

If the recipient is a non-United States holder described in the first bullet above, the recipient will be required to pay tax on the net gain derived from the sale under regular graduated U.S. federal income tax rates, and corporate non-United States holders described in the first bullet above may be subject to the branch profits tax at a 30% rate or such lower rate as may be specified by an applicable income tax treaty. If the recipient is an individual non-United States holder described in the second bullet above, the recipient will be required to pay a flat 30% tax on the gain derived from the sale, which tax may be offset by United States source capital losses.

We believe that we are not currently and will not become a USRPHC. However, because the determination of whether we are a USRPHC depends on the fair market value of our U.S. real property relative to the fair market value of our other business assets, there can be no assurance that we will not become a USRPHC in the future. Even if we become a USRPHC, however, as long as our common stock is regularly traded on an established securities market, such common stock will be treated as U.S. real property interests only if the Non-U.S. Holder actually or constructively held more than 5% of our common stock.

Information Reporting and Backup Withholding

Generally, we must report annually to the IRS the amount of dividends paid, the name and address of the recipient, and the amount, if any, of tax withheld. A similar report is sent to the recipient. These information reporting requirements apply even if withholding was not required because the dividends were effectively connected dividends or withholding was reduced by an applicable income tax treaty. Under tax treaties or other agreements, the IRS may make its reports available to tax authorities in the recipient’s country of residence.

Payments made to a Non-U.S. Holder that is not an exempt recipient generally will be subject to backup withholding, currently at a rate of 28%, unless a Non-U.S. Holder certifies as to its foreign status, which certification may be made on IRS Form W-8BEN.

Proceeds from the disposition of common stock by a Non-U.S. Holder effected by or through a United States office of a broker will be subject to information reporting and backup withholding, currently at a rate of 28% of the gross proceeds, unless the Non-U.S. Holder certifies to the payor under penalties of perjury as to, among other things, its address and status as a Non-U.S. Holder or otherwise establishes an exemption. Generally, United States information reporting and backup withholding will not apply to a payment of disposition proceeds if the transaction is effected outside the United States by or through a non-U.S. office of a broker. However, if the broker is, for U.S. federal income tax purposes, a U.S. person, a controlled foreign corporation, a foreign person who derives 50% or more of its gross income for specified periods from the conduct of a U.S. trade or business, specified U.S. branches of foreign banks or insurance companies or a foreign partnership with certain connections to the United States, information reporting but not backup withholding will apply unless:

- the broker has documentary evidence in its files that the holder is a Non-U.S. Holder and other conditions are met; or
- the holder otherwise establishes an exemption.

Backup withholding is not an additional tax. Rather, the amount of tax withheld is applied to the U.S. federal income tax liability of persons subject to backup withholding. If backup withholding results in an overpayment of U.S. federal income taxes, a refund may be obtained, provided the required documents are filed with the IRS.

Estate Tax

Our common stock owned or treated as owned by an individual who is not a citizen or resident of the United States (as specifically defined for U.S. federal estate tax purposes) at the time of death will be includible in the individual’s gross estate for U.S. federal estate tax purposes, unless an applicable estate tax treaty provides otherwise.

UNDERWRITING

Under the terms and subject to the conditions contained in an underwriting agreement dated , 2008, we have agreed to sell to the underwriters named below, for whom Credit Suisse Securities (USA) LLC and Merrill Lynch, Pierce, Fenner & Smith Incorporated are acting as the representatives, the following respective numbers of shares of common stock:

Underwriter	Number of Shares
Credit Suisse Securities (USA) LLC	
Merrill Lynch, Pierce, Fenner & Smith Incorporated	
BMO Capital Markets Corp.	
William Blair & Company, L.L.C.	
Piper Jaffray & Co.	
Total	

The underwriting agreement provides that the underwriters are obligated to purchase all the shares of common stock in the offering if any are purchased, other than those shares covered by the over-allotment option described below. The underwriting agreement also provides that if an underwriter defaults, the purchase commitments of non-defaulting underwriters may be increased or the offering may be terminated.

We have granted to the underwriters a 30-day option to purchase on a pro rata basis up to additional shares from us at the initial public offering price less the underwriting discounts and commissions. The option may be exercised only to cover any over-allotments of common stock.

The underwriters propose to offer the shares of common stock initially at the public offering price on the cover page of this prospectus and to selling group members at that price less a selling concession of $ per share. After the initial public offering, the representative may change the public offering price and concession.

The following table summarizes the compensation and estimated expenses we will pay:

	Per Share		Total	
	Without Over-allotment	With Over-allotment	Without Over-allotment	With Over-allotment
Underwriting discounts and commissions paid by us				
Expenses payable by us				

The representatives have informed us that they do not expect sales to accounts over which the underwriters have discretionary authority to exceed 5% of the shares of common stock being offered.

We have agreed that we will not offer, sell, contract to sell, pledge, or otherwise dispose of, directly or indirectly, or file with the SEC a registration statement under the Securities Act relating to, any shares of our common stock or securities convertible into or exchangeable or exercisable for any shares of our common stock, or publicly disclose the intention to make any offer, sale, pledge, disposition, or filing, without the prior written consent of Credit Suisse Securities (USA) LLC and Merrill Lynch, Pierce, Fenner & Smith Incorporated, for a period of 180 days after the date of this prospectus. However, in the event that either (1) during the last 17 days of the “lock-up” period, we release earnings results or material news or a material event relating to us occurs or (2) prior to the expiration of the “lock-up” period, we announce that we will release earnings results during the 16-day period beginning on the last day of the “lock-up” period, then in either case the expiration of the “lock-up” will be extended until the expiration of the 18-day period beginning on the date of the release of the earnings results or the occurrence of the material news or event, as applicable, unless Credit Suisse Securities (USA) LLC and Merrill Lynch, Pierce, Fenner & Smith Incorporated waive such extension in writing.

Our directors, executive officers, and stockholders have agreed that they will not offer, sell, contract to sell, pledge, or otherwise dispose of, directly or indirectly, any shares of our common stock or securities convertible into or exchangeable or exercisable for any shares of our common stock, enter into a transaction that would have the same effect, or enter into any swap, hedge, or other arrangement that transfers, in whole or in part, any of the economic consequences of ownership of our common stock, whether any of these transactions is to be settled by delivery of our common stock or other securities, in cash or otherwise, or publicly disclose the intention to make any offer, sale, pledge, or disposition, or to enter into any transaction, swap, hedge, or other arrangement, without, in each case, the prior written consent of Credit Suisse Securities (USA) LLC and Merrill Lynch, Pierce, Fenner & Smith Incorporated, for a period of 180 days after the date of this prospectus. However, in the event that either (1) during the last 17 days of the "lock-up" period, we release earnings results or material news or a material event relating to us occurs or (2) prior to the expiration of the "lock-up" period, we announce that we will release earnings results during the 16-day period beginning on the last day of the "lock-up" period, then in either case the expiration of the "lock-up" will be extended until the expiration of the 18-day period beginning on the date of the release of the earnings results or the occurrence of the material news or event, as applicable, unless Credit Suisse Securities (USA) LLC and Merrill Lynch, Pierce, Fenner & Smith Incorporated waive such extension in writing.

The underwriters have reserved for sale at the initial public offering price up to shares of the common stock for employees, directors, and other persons associated with us who have expressed an interest in purchasing common stock in the offering. The number of shares available for sale to the general public in the offering will be reduced to the extent these persons purchase the reserved shares. Any reserved shares not so purchased will be offered by the underwriters to the general public on the same terms as the other shares.

We have agreed to indemnify the underwriters against liabilities under the Securities Act, or contribute to payments that the underwriters may be required to make in that respect.

We intend to apply to list the shares of common stock on the Nasdaq Global Market under the symbol "LOPE."

Certain of the underwriters and their respective affiliates have from time to time performed, and may in the future perform, various financial advisory, commercial banking, and investment banking services for us and our affiliates in the ordinary course of business, for which they received, or will receive, customary fees and expenses.

Prior to the offering, there has been no market for our common stock. The initial public offering price will be determined by negotiation between us and the underwriters and will not necessarily reflect the market price of the common stock following the offering. The principal factors that will be considered in determining the initial public offering price will include:

- the information presented in this prospectus and otherwise available to the underwriters;
- the history of and the prospects for the industry in which we will compete;
- the ability of our management;
- the prospects for our future earning;
- the present state of our development and our current financial condition;
- the recent market prices of, and the demand for, publicly traded common stock of generally comparable companies; and
- the general condition of the securities markets at the time of the offering.

We offer no assurances that the initial public offering price will correspond to the price at which the common stock will trade in the public market subsequent to the offering or that an active trading market for the common stock will develop and continue after the offering.

In connection with the offering the underwriters may engage in stabilizing transactions, over-allotment transactions, syndicate covering transactions and penalty bids in accordance with Regulation M under the Exchange Act.

- Stabilizing transactions permit bids to purchase the underlying security so long as the stabilizing bids do not exceed a specified maximum.
- Over-allotment involves sales by the underwriters of shares in excess of the number of shares the underwriters are obligated to purchase, which creates a syndicate short position. The short position may be either a covered short position or a naked short position. In a covered short position, the number of shares over-allotted by the underwriters is not greater than the number of shares that they may purchase in the over-allotment option. In a naked short position, the number of shares involved is greater than the number of shares in the over-allotment option. The underwriters may close out any covered short position by either exercising their over-allotment option and/or purchasing shares in the open market.
- Syndicate covering transactions involve purchases of the common stock in the open market after the distribution has been completed in order to cover syndicate short positions. In determining the source of shares to close out the short position, the underwriters will consider, among other things, the price of shares available for purchase in the open market as compared to the price at which they may purchase shares through the over-allotment option. If the underwriters sell more shares than could be covered by the over-allotment option, a naked short position, the position can only be closed out by buying shares in the open market. A naked short position is more likely to be created if the underwriters are concerned that there could be downward pressure on the price of the shares in the open market after pricing that could adversely affect investors who purchase in the offering.
- Penalty bids permit the representative to reclaim a selling concession from a syndicate member when the common stock originally sold by the syndicate member is purchased in a stabilizing or syndicate covering transaction to cover syndicate short positions.

These stabilizing transactions, syndicate covering transactions and penalty bids may have the effect of raising or maintaining the market price of our common stock or preventing or retarding a decline in the market price of the common stock. As a result the price of our common stock may be higher than the price that might otherwise exist in the open market. These transactions may be effected on the Nasdaq Global Market or otherwise and, if commenced, may be discontinued at any time.

A prospectus in electronic format may be made available on the websites maintained by one or more of the underwriters, or selling group members, if any, participating in this offering and one or more of the underwriters participating in this offering may distribute prospectuses electronically. The representatives may agree to allocate a number of shares to underwriters and selling group members for sale to their online brokerage account holders. Internet distributions will be allocated by the underwriters and selling group members that will make Internet distributions on the same basis as other allocations.

NOTICE TO EUROPEAN ECONOMIC AREA RESIDENTS

In relation to each Member State of the European Economic Area which has implemented the Prospectus Directive, which we refer to as a Relevant Member State, each underwriter represents and agrees that with effect from and including the date on which the Prospectus Directive is implemented in that Relevant Member State, which we refer to as the Relevant Implementation Date, it has not made and will not make an offer of shares of common stock to the public in that Relevant Member State prior to the publication of a prospectus in relation to the shares of common stock which has been approved by the competent authority in that Relevant Member State or, where appropriate, approved in another Relevant Member State and notified to the competent authority in that Relevant Member State, all in accordance with the Prospectus Directive, except that it may, with effect from and including the Relevant Implementation Date, make an offer of shares of common stock to the public in that Relevant Member State at any time,

(a) to legal entities which are authorized or regulated to operate in the financial markets or, if not so authorized or regulated, whose corporate purpose is solely to invest in securities;

(b) to any legal entity which has two or more of (1) an average of at least 250 employees during the last financial year; (2) a total balance sheet of more than €43,000,000, and (3) an annual net turnover of more than €50,000,000, as shown in its last annual or consolidated accounts;

(c) to fewer than 100 natural or legal persons (other than qualified investors as defined in the Prospectus Directive) subject to obtaining the prior consent of the manager for any such offer; or

(d) in any other circumstances which do not require the publication by us of a prospectus pursuant to Article 3 of the Prospectus Directive.

For the purposes of this section, the expression an "offer of shares of common stock to the public" in relation to any shares of common stock in any Relevant Member State means the communication in any form and by any means of sufficient information on the terms of the offer and the shares of common stock to be offered so as to enable an investor to decide to purchase or subscribe the shares of common stock, as the same may be varied in that Member State by any measure implementing the Prospectus Directive in that Member State and the expression Prospectus Directive means Directive 2003/71/EC and includes any relevant implementing measure in each Relevant Member State.

NOTICE TO UNITED KINGDOM RESIDENTS

Each of the underwriters severally represents, warrants and agrees as follows:

(a) it has only communicated or caused to be communicated and will only communicate or cause to be communicated an invitation or inducement to engage in investment activity (within the meaning of section 21 of the Financial Services and Markets Act of 2000, or FSMA) to persons who have professional experience in matters relating to investments falling with Article 19(5) of the FSMA (Financial Promotion) Order 2005 or in circumstances in which section 21 of FSMA does not apply to the company; and

(b) it has complied with, and will comply with all applicable provisions of FSMA with respect to anything done by it in relation to the shares of common stock in, from or otherwise involving the United Kingdom.

NOTICE TO CANADIAN RESIDENTS

Resale Restrictions

The distribution of the common stock in Canada is being made only on a private placement basis exempt from the requirement that we prepare and file a prospectus with the securities regulatory authorities in each province where trades of common stock are made. Any resale of the common stock in Canada must be made under applicable securities laws which will vary depending on the relevant jurisdiction, and which may require resales to be made under available statutory exemptions or under a discretionary exemption granted by the applicable Canadian securities regulatory authority. Purchasers are advised to seek legal advice prior to any resale of the common stock.

Representations of Purchasers

By purchasing the common stock in Canada and accepting a purchase confirmation a purchaser is representing to us and the dealer from whom the purchase confirmation is received that:

- the purchaser is entitled under applicable provincial securities laws to purchase the common stock without the benefit of a prospectus qualified under those securities laws,
- where required by law, that the purchaser is purchasing as principal and not as agent,
- the purchaser has reviewed the text above under "Resale Restrictions," and
- the purchaser acknowledges and consents to the provision of specified information concerning its purchase of the common stock to the regulatory authority that by law is entitled to collect the information.

Further details concerning the legal authority for this information is available on request.

Rights of Action — Ontario Purchasers Only

Under Ontario securities legislation, certain purchasers who purchase a security offered by this prospectus during the period of distribution will have a statutory right of action for damages, or while still the owner of the common stock, for rescission against us in the event that this prospectus contains a misrepresentation without regard to whether the purchaser relied on the misrepresentation. The right of action for damages is exercisable not later than the earlier of 180 days from the date the purchaser first had knowledge of the facts giving rise to the cause of action and three years from the date on which payment is made for the common stock. The right of action for rescission is exercisable not later than 180 days from the date on which payment is made for the common stock. If a purchaser elects to exercise the right of action for rescission, the purchaser will have no right of action for damages against us. In no case will the amount recoverable in any action exceed the price at which the common stock were offered to the purchaser and if the purchaser is shown to have purchased the securities with knowledge of the misrepresentation, we will have no liability. In the case of an action for damages, we will not be liable for all or any portion of the damages that are proven to not represent the depreciation in value of the common stock as a result of the misrepresentation relied upon. These rights are in addition to, and without derogation from, any other rights or remedies available at law to an Ontario purchaser. The foregoing is a summary of the rights available to an Ontario purchaser. Ontario purchasers should refer to the complete text of the relevant statutory provisions.

Enforcement of Legal Rights

All of our directors and officers as well as the experts named herein may be located outside of Canada and, as a result, it may not be possible for Canadian purchasers to effect service of process within Canada upon us or those persons. All or a substantial portion of our assets and the assets of those persons may be located outside of Canada and, as a result, it may not be possible to satisfy a judgment against us or those persons in Canada or to enforce a judgment obtained in Canadian courts against us or those persons outside of Canada.

Taxation and Eligibility for Investment

Canadian purchasers of the common stock should consult their own legal and tax advisors with respect to the tax consequences of an investment in the common stock in their particular circumstances and about the eligibility of the common stock for investment by the purchaser under relevant Canadian legislation.

LEGAL MATTERS

The validity of the shares of common stock offered by this prospectus and other legal matters will be passed upon for us by DLA Piper US LLP, Phoenix, Arizona. The underwriters have been represented by Latham & Watkins LLP, Los Angeles, California.

EXPERTS

Ernst & Young LLP, independent registered public accounting firm, has audited our financial statements as of December 31, 2006 and 2007, and for each of the three years in the period ended December 31, 2007, as set forth in their report. We have included our financial statements in the prospectus and elsewhere in the registration statement in reliance on Ernst & Young LLP's report, given on their authority as experts in accounting and auditing.

WHERE YOU CAN FIND MORE INFORMATION

We have filed with the SEC a registration statement on Form S-1, which includes amendments and exhibits, under the Securities Act and the rules and regulations under the Securities Act for the registration of common stock being offered by this prospectus. This prospectus, which constitutes a part of the registration statement, does not contain all the information that is in the registration statement and its exhibits and schedules. Certain portions of the registration statement have been omitted as allowed by the rules and regulations of the SEC. Statements in this prospectus that summarize documents are not necessarily complete, and in each case you should refer to the copy of the document filed as an exhibit to the registration statement. You may read and copy the registration statement, including exhibits and schedules filed with it, and reports or other information we may file with the SEC at the public reference facilities of the SEC at 100 F Street, N.E., Room 1580, Washington, D.C. 20549. You may call the SEC at 1-800-SEC-0330 for further information on the operation of the public reference rooms. In addition, the registration statement and other public filings can be obtained from the SEC's Internet site at http://www.sec.gov.

Upon completion of this offering, we will become subject to information and periodic reporting requirements of the Exchange Act and we will file annual, quarterly and current reports, proxy statements and other information with the SEC.

GRAND CANYON EDUCATION, INC.

INDEX TO FINANCIAL STATEMENTS

Report of Independent Registered Public Accounting Firm

The Board of Directors and Stockholders
Grand Canyon Education, Inc.

We have audited the accompanying balance sheets of Grand Canyon Education, Inc. as of December 31, 2006 and 2007, and the related statements of operations, preferred stock and stockholders' deficit, and cash flows for each of the three years in the period ended December 31, 2007. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. We were not engaged to perform an audit of the Company's internal control over financial reporting. Our audits included consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Grand Canyon Education, Inc. at December 31, 2006 and 2007, and the results of its operations and its cash flows for each of the three years in the period ended December 31, 2007, in conformity with U.S. generally accepted accounting principles.

Ernst & Young LLP

Phoenix, Arizona
May 12, 2008, except for Note 16, as to which the date is [l], 2008

The foregoing report is in the form that will be signed upon the determination of the pro forma financial information described in Note 16 to the financial statements.

/s/ Ernst & Young LLP

Phoenix, Arizona
May 12, 2008

Grand Canyon Education, Inc.

Balance Sheets
(In thousands, except share data)

	As of December 31, 2006	As of December 31, 2007	2007 Pro forma
ASSETS			
Current assets:			
Cash and cash equivalents	$ 14,361	$ 23,210	
Accounts receivable, net of allowance for doubtful accounts of $3,653 in 2006 and $6,079 in 2007	8,525	13,193	
Due from related parties	—	6,001	
Deferred income taxes	1,592	2,338	
Prepaid expenses and other current assets	861	1,304	
Total current assets	25,339	46,046	
Property and equipment, net	29,017	33,849	
Restricted cash and investments	3,074	3,298	
Goodwill	2,941	2,941	
Deferred income taxes	2,027	1,986	
Deposit with former owner	—	3,000	
Other assets	79	43	
Total assets	$ 62,477	$ 91,163	
LIABILITIES, PREFERRED STOCK AND STOCKHOLDERS' DEFICIT			
Current liabilities:			
Accounts payable	$ 3,181	$ 3,434	
Accrued liabilities	3,044	6,893	
Income taxes payable	2,536	242	
Deferred revenue and student deposits	6,133	10,369	
Royalty payable to former owner	3,646	7,428	
Due to related parties	836	1,005	
Line of credit	—	6,000	
Current portion of capital lease obligations	949	1,150	
Current portion of notes payable	374	646	
Total current liabilities	20,699	37,167	
Capital lease obligations, less current portion	28,779	28,078	
Notes payable, less current portion	2,088	1,762	
Total liabilities	51,566	67,007	
Commitments and contingencies			
Series A preferred stock, $0.01 par value:			
Authorized — 7,500 and 9,700 shares at December 31, 2006 and 2007, respectively			
Issued and outstanding — 5,953 shares at December 31, 2006 and 2007			
Liquidation value — $57,750 at December 31, 2007	18,610	18,610	
Series B 12% preferred stock, $0.01 par value:			
Authorized — 2,200 shares at December 31, 2006 and 2007			
Issued and outstanding — 865 and 0 shares at December 31, 2006 and 2007, respectively			
Liquidation value — $0 at December 31, 2007	2,780	—	
Series C 8% preferred stock, $0.01 par value:			
Authorized — 0 and 3,900 shares at December 31, 2006 and 2007, respectively			
Issued and outstanding — 0 and 3,829 shares at December 31, 2006 and 2007, respectively			
Liquidation value — $26,800 at December 31, 2007	—	13,338	
Stockholders' deficit:			
Common stock, $0.01 par value:			
Authorized — 30,000 shares			
Issued and outstanding — 10,325 shares at December 31, 2006 and 2007	—	—	
Additional paid-in capital	7,860	7,511	
Accumulated other comprehensive income	35	80	
Accumulated deficit	(18,374)	(15,383)	
Total stockholders' deficit	(10,479)	(7,792)	
Total liabilities, preferred stock and stockholders' deficit	$ 62,477	$ 91,163	

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

Grand Canyon Education, Inc.

Statements of Operations
(In thousands, except share and per share data)

	Year Ended December 31, 2005	2006	2007
Net revenue	$ 51,793	$ 72,111	$ 99,327
Costs and expenses:			
Instructional costs and services	26,959	29,920	36,852
Selling and promotional, including $2,839 in 2005; $3,742 in 2006, and $4,293 in 2007 to related parties	13,758	19,355	33,480
General and administrative	12,424	15,326	18,385
Royalty to former owner	1,619	2,678	3,782
Total costs and expenses	54,760	67,279	92,499
Operating income (loss)	(2,967)	4,832	6,828
Interest expense	(3,016)	(2,909)	(3,070)
Interest income	276	912	1,172
Income (loss) before income taxes	(5,707)	2,835	4,930
Income tax expense (benefit)	(1,894)	1,184	1,939
Net income (loss)	(3,813)	1,651	2,991
Preferred dividends	—	(527)	(349)
Net income available (loss attributable) to common stockholders	$ (3,813)	$ 1,124	$ 2,642
Earnings (loss), per common share:			
Basic	$ (377)	$ 109	$ 255
Diluted	$ (377)	$ 82	$ 159
Shares used in computing earnings (loss) per common share:			
Basic	10,115	10,325	10,342
Diluted	10,115	20,107	18,860
Pro forma earnings per common share			
Basic			[1]
Diluted			[1]
Shares used in computing pro forma earnings per common share			
Basic			[1]
Diluted			[1]

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

Grand Canyon Education, Inc.

Statements of Preferred Stock and Stockholders' Deficit
(In thousands, except share data)

	Preferred Stock						Members'/Stockholders' Deficit							
	Series A Preferred Stock		Series B Preferred Stock		Series C Preferred Stock		Membership Interests		Common Stock		Additional Paid-in Capital	Accumulated Other Comprehensive Income	Accumulated Deficit	Total
	Shares	Amount	Shares	Amount	Shares	Amount	Units	Amount	Shares	Par Value				
Balance at December 31, 2004	—	$ —	—	$ —	—	$ —	1,000,000	$ 8,567	—	$ —	$ —	$ —	$ (16,212)	$ (7,645)
Distribution to members	—	—	—	—	—	—	—	(240)	—	—	—	—	—	(240)
Exchange of membership interests for common shares	—	—	—	—	—	—	(1,000,000)	(8,327)	10,000	—	8,327	—	—	—
Conversion of Promissory Notes into Series A Preferred Stock	4,329	14,000	—	—	—	—	—	—	—	—	—	—	—	—
Issuance of common stock for services	—	—	—	—	—	—	—	—	325	—	60	—	—	60
Issuance of Series A Preferred Stock for cash, net of issuance costs of $639	1,624	4,610	—	—	—	—	—	—	—	—	—	—	—	—
Issuance of Series B Preferred Stock for cash, net of issuance costs of $20	—	—	2,163	6,980	—	—	—	—	—	—	—	—	—	—
Net loss	—	—	—	—	—	—	—	—	—	—	—		(3,813)	(3,813)
Balance at December 31, 2005	5,953	18,610	2,163	6,980	—	—	—	—	10,325	—	8,387	—	(20,025)	(11,638)
Net income	—	—	—	—	—	—	—	—	—	—	—	—	1,651	1,651
Unrealized gains on available-for-sale securities, net of taxes of $23	—	—	—	—	—	—	—	—	—	—	—	35		35
Comprehensive income														1,686
Redemption of Series B Preferred Stock	—	—	(1,298)	(4,200)	—	—	—	—	—	—	—	—	—	—
Amortization of deferred compensation	—	—	—	—	—	—	—	—	—	—	—	—	—	—
Dividend on Series B Preferred Stock	—	—	—	—	—	—	—	—	—	—	(527)	—	—	(527)
Balance at December 31, 2006	5,953	18,610	865	2,780	—	—	—	—	10,325	—	7,860	35	(18,374)	(10,479)
Net income	—	—	—	—	—	—	—	—	—	—	—	—	2,991	2,991
Unrealized gains on available-for-sale securities, net of taxes of $30	—	—	—	—	—	—	—	—	—	—	—	45	—	45
Comprehensive income														3,036
Conversion of Series B Preferred Stock to Series C Preferred Stock	—	—	(865)	(2,780)	800	2,780	—	—	—	—	—	—	—	—
Payment of amounts due to related party with Series C Preferred Stock	—	—	—	—	34	120	—	—	—	—	—	—	—	—
Issuance of Series C Preferred Stock for cash, net of issuance costs of $36	—	—	—	—	2,995	10,409	—	—	—	—	—	—	—	—
Dividend on Series B Preferred Stock	—	—	—	—	—	—	—	—	—	—	(320)	—	—	(320)
Accretion of Series C Preferred Stock Dividend	—	—	—	—	—	29	—	—	—	—	(29)	—	—	(29)
Balance at December 31, 2007	5,953	$ 18,610	—	$ —	3,829	$ 13,338	—	$ —	10,325	$ —	$ 7,511	$ 80	$ (15,383)	$ (7,792)

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

Grand Canyon Education, Inc.

Statements of Cash Flows
(In thousands)

	Year Ended December 31, 2005	2006	2007
Operating activities			
Net income (loss)	$ (3,813)	$ 1,651	$ 2,991
Adjustments to reconcile net income to net cash provided by (used in) operating activities:			
Provision for bad debts	696	2,873	3,905
Depreciation and amortization	1,879	2,396	3,269
Deferred income taxes	(2,146)	(1,496)	(735)
Other	129	—	21
Changes in operating assets and liabilities:			
Accounts receivable	(5,357)	(5,973)	(8,573)
Prepaid expenses and other assets	(149)	(451)	(443)
Due to/from related parties	51	212	(107)
Accounts payable	(727)	1,662	253
Accrued liabilities	(1,433)	(565)	3,802
Income taxes payable	252	2,284	(2,294)
Deferred revenue and student deposits	2,668	1,539	4,236
Royalty payable to former owner	978	2,668	3,782
Deposit with former owners	—	—	(3,000)
Net cash provided by (used in) operating activities	(6,972)	6,800	7,107
Investing activities			
Capital expenditures	(817)	(2,387)	(7,410)
Purchases of investments	(9,152)	—	—
Proceeds from sale or maturity of investments	—	9,044	(149)
Net cash provided by (used in) investing activities	(9,969)	6,657	(7,559)
Financing activities			
Principal payments on notes payable and capital lease obligations	(2,306)	(1,178)	(1,230)
Proceeds from line of credit and other debt obligations	14,000	—	6,000
Net proceeds from issuances of preferred stock	4,590	—	4,684
Proceeds from related party payable on preferred stock	—	4,200	—
Redemptions of preferred stock	—	(4,200)	—
Distributions to members and dividends on preferred stock	(240)	(497)	(153)
Net cash provided by (used in) financing activities	16,044	(1,675)	9,301
Net increase (decrease) in cash and cash equivalents	(897)	11,782	8,849
Cash and cash equivalents at beginning of period	3,476	2,579	14,361
Cash and cash equivalents at end of period	$ 2,579	$ 14,361	$ 23,210
Supplemental disclosures of cash flow information			
Cash paid during the year for:			
Interest paid, net of capitalized interest	$ 2,994	$ 2,523	$ 2,645
Income taxes paid	$ —	$ 397	$ 4,964
Supplemental Schedule of Noncash Investing and Financing Activities:			
Purchase of equipment through capital lease obligations	$ 858	$ 5,945	$ 676
Issuance of Series B and Series C preferred stock for notes receivable	7,000	—	5,725
Conversion of senior secured notes to Series A preferred stock	14,000	—	—
Exchange of membership interest into common stock	8,327	—	—
Receipt of marketable securities for Series B preferred stock	—	2,908	—
Issuance of Series C preferred stock for settlement of balances owed	—	—	120
Accretion of dividends on Series C preferred stock	—	—	29

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

Grand Canyon Education, Inc.

Notes to Financial Statements
(In thousands of dollars, except share and per share data)

1. Nature of Business

Grand Canyon Education, Inc. (the "Company") was formed in Delaware in November 2003 as a limited liability company, under the name Significant Education, LLC, for the purpose of acquiring the assets of Grand Canyon University from a non-profit foundation on February 2, 2004. On August 24, 2005, the Company converted from a limited liability company to a corporation and changed its name to Significant Education, Inc. On May 9, 2008, the Company changed its name to Grand Canyon Education, Inc. The Company is a regionally accredited provider of online postsecondary education services focused on offering graduate and undergraduate degree programs in its core disciplines of education, business, and healthcare. In addition to online programs, the Company offers courses at its campus in Phoenix, Arizona and onsite at the facilities of employers. The Company is accredited by the Higher Learning Commission of the North Central Association of Colleges and Schools.

All references in the notes to the financial statements regarding per share information have been restated to their equivalent based on the conversion of the membership units of Significant Education, LLC into shares of common stock of Significant Education, Inc.

2. Summary of Significant Accounting Policies

Formation and Transactions with Former Owner

On January 29, 2004, the Company entered into an asset purchase agreement (the "Purchase Agreement") with the Grand Canyon University Institute for Advanced Studies (the "Institute" or "former owner"), an Arizona nonprofit corporation, pursuant to which the Company acquired substantially all of the operating assets (excluding the ground campus and related buildings) of Grand Canyon University (the "University"), including all accreditations, licensures, and approvals necessary to offer its ground and online education programs. In consideration for the purchase of such assets, the Company paid the Institute $500 in cash, assumed certain liabilities, and agreed to pay the Institute a royalty equal to 5% of the revenue generated by the Company through its online education program for each year in the period 2004 through 2008 and 4% for each year thereafter, in perpetuity (the "Royalty Agreement"). The consideration paid and liabilities assumed exceeded the fair value of the assets acquired by $2,900 which was recorded as goodwill. The transaction closed on February 2, 2004 at which time the Company commenced its operations.

On June 25, 2004, the Company entered into an ancillary agreement (the "Ancillary Agreement") with the Institute, pursuant to which the Company agreed to purchase the ground campus and related buildings (the "Campus") from the Institute for the following consideration:

- $26,750 in cash;
- The assumption of a $1,500 note payable to a third party (the "Kirksville Note");
- the issuance by the Company to the Institute of a warrant (the "Institute Warrant") to purchase a 10.0% non-dilutable equity interest in the Company for an exercise price of $1 during a one month period beginning in July 1, 2011 subject to a right for the Company to repurchase the warrant at any time prior to its exercise for $6,000.

The value of the warrant was estimated at $420 which approximates 10% of the estimated fair value of the Company at the date of grant and was included as a component of the cost of the campus and related buildings.

In connection with the Ancillary Agreement, (i) the Company assigned its right to purchase the ground campus and related buildings to Spirit Finance Acquisitions, LLC ("Spirit"), (ii) following such assignment, Spirit acquired the assets from the Institute for cash (iii) Spirit leased them to the Company under a long-term lease (the "Spirit Lease"), and (iv) the Institute loaned the Company $1,250 payable over seven years (the "Institute Loan").

Shortly after the completion of the acquisition, the Company and the Institute became involved in certain disputes, with the Company alleging breaches of representations and warranties concerning the University's operations, its compliance with Department of Education regulations, and the Institute's failure to adequately disclose liabilities in the Purchase Agreement and the Ancillary Agreement. In addition, the Company withheld payment of amounts due under the Royalty Agreement and the Institute Loan. At December 31, 2007, the Company had withheld payment of approximately $7,428 in payments due under the Royalty Agreement and approximately $840 of principal and interest payments under the Institute Loan. As a result of these disputes, the Company commenced legal proceedings in March 2006 and the Institute brought counterclaims.

In September 2007, the Company and the Institute entered into a standstill agreement pursuant to which they agreed to stay all legal proceedings through April 15, 2008. In accordance with the terms of the standstill agreement, the Company made an initial non-refundable, non-creditable $3,000 payment to the Institute and received an option to pay an additional $19,500 to the Institute by April 15, 2008, which would serve, in its entirety, as consideration for:

- the satisfaction in full of all past royalties due to the Institute under the Royalty Agreement and the elimination of the existing obligation to pay royalties for online student revenues in perpetuity;
- the cancellation of the Institute Warrant;
- the acquisition by the Company of certain real property located on the Campus that was owned by the Institute;
- the termination of a sublease agreement pursuant to which the Institute leased office space on the Campus;
- the assumption by the Company of all future payment obligations in respect to certain gift annuities made to the school by donors prior to the acquisition; and
- the satisfaction in full of the $1,250 Institute Loan (including all accrued and unpaid interest thereon).

On April 15, 2008, the Company exercised its option and paid the additional $19,500 to the Institute and the Institute relinquished any and all rights it had to be involved in Grand Canyon University, and all parties released any and all claims they may have had against the other parties.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States requires management to make estimates and assumptions that affect the reported amounts in the financial statements and accompanying notes. Actual results could differ from those estimates.

Cash and Cash Equivalents

The Company invests cash in excess of current operating requirements in short term certificates of deposit and money market instruments. The Company considers all highly liquid investments with maturities of three months or less at the time of purchase to be cash equivalents.

Grand Canyon Education, Inc.

Notes to Financial Statements
(In thousands of dollars, except share and per share data) — (Continued)

Restricted Cash and Investments

The Company owns certain marketable securities that are pledged as collateral for a Standby Letter of Credit as further described in Note 3. The Company considers its investments in such marketable securities as available-for-sale securities, in accordance with the provisions of Statement of Financial Accounting Standards ("SFAS") No. 115, *Accounting for Certain Investments in Debt and Equity Securities*. Available-for-sale investments are carried at fair value as determined by quoted market prices, with unrealized gains and losses, net of tax, reported as a separate component of stockholders' deficit. Unrealized losses considered to be other-than-temporary are recognized currently in earnings. The cost of securities sold is based on the specific identification method. Amortization of premiums, accretion of discounts, interest and dividend income and realized gains and losses are included in investment income. Because these investments are pledged as collateral, the Company classifies all such amounts as long term assets.

Fair Value of Financial Instruments

The carrying value of cash and cash equivalents, accounts receivable, accounts payable, and line of credit approximate their fair value based on the liquidity or on the short-term maturities of these instruments. The carrying value of notes payable and capital lease obligations approximate fair value based upon market interest rates available to the Company for debt of similar risk and maturities.

Allowance for Doubtful Accounts

The Company records an allowance for doubtful accounts for estimated losses resulting from the inability, failure or refusal of its students to make required payments. The Company determines the adequacy of its allowance for doubtful accounts based on an analysis of its aging of the accounts receivable and historical bad debt experience. The Company writes-off account receivable balances deemed uncollectible on a regular basis. However, the Company continues to reflect accounts receivable with an offsetting allowance as long as management believes there is a reasonable possibility of collection. Bad debt expense is recorded as a general and administrative expense in the statement of operations.

Property and Equipment

Property and equipment are recorded at cost less accumulated depreciation. Depreciation is computed using the straight-line method. Normal repairs and maintenance are expensed as incurred. Expenditures that materially extend the useful life of an asset are capitalized. Construction in progress represents items not yet placed in service and are not depreciated. The Company capitalizes interest pursuant to SFAS No. 34, *Capitalization of Interest Costs*. The Company used its interest rates on the specific borrowings used to finance the improvements, which approximated 8.7% in 2006 and 2007 given the amount of the specific debt exceeded the in process value of the project at all times. The Company did not have any projects that required it to capitalize interest cost in 2005. Interest cost capitalized and incurred in the years ended December 31, 2005, 2006, and 2007 are as follows:

	Year Ended December 31,		
	2005	2006	2007
Interest incurred	$ 3,016	$ 3,007	$ 3,197
Interest capitalized	—	98	127
Interest expense	$ 3,016	$ 2,909	$ 3,070

Depreciation is provided using the straight-line method over the estimated useful lives of the assets. Furniture, fixtures and equipment are depreciated over a period of 3 to 10 years. Leasehold improvements and assets recorded under capital leases are amortized over the related lease term or their estimated useful life, whichever is shorter.

Long-Lived Assets

The Company evaluates the recoverability of its long-lived assets for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Recoverability of assets to be held and used is measured by a comparison of the carrying amount of an asset to undiscounted future net cash flows expected to be generated by the assets. If such assets are considered to be impaired, the impairment to be recognized is measured by the amount by which the carrying amount of the assets exceeds the fair value of the assets.

Goodwill

Goodwill represents the excess of the cost over the fair market value of net assets acquired, including identified intangible assets. Goodwill is tested annually or more frequently if circumstances indicate potential impairment, by comparing its fair value to its carrying amount as defined by SFAS No. 142, *Goodwill and Other Intangible Assets*.

The determination of whether or not goodwill is impaired involves significant judgment. Although the Company believes its goodwill is not impaired, changes in strategy or market conditions could significantly impact these judgments and may require future adjustments to the carrying amount of goodwill.

Income Taxes

On August 24, 2005, the Company converted from a limited liability company to a corporation. For all periods subsequent to such date, the Company has been and will continue to be subject to corporate-level U.S. federal and state income taxes. The Company accounts for income taxes as prescribed by SFAS No. 109, *Accounting for Income Taxes.* SFAS No. 109 prescribes the use of the asset and liability method to compute the differences between the tax basis of assets and liabilities and the related financial amounts using currently enacted tax laws.

The Company has deferred 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 the deferred tax assets is principally dependent upon achievement of projected future taxable income offset by deferred tax liabilities.

Revenue Recognition

Revenues consist primarily of tuition and fees derived from courses taught by the Company online, at its traditional campus in Phoenix, Arizona, and onsite at facilities of employers. Tuition revenue is recognized monthly over the applicable period of instruction, net of scholarships provided by the Company. Deferred revenue and student deposits in any period represent the excess of tuition, fees, and other student payments received as compared to amounts recognized as revenue on the statement of operations and are reflected as current liabilities in the accompanying balance sheet. The Company's educational programs have starting and ending dates that differ from its fiscal quarters. Therefore, at the end of each fiscal quarter, a portion of revenue from these programs is not yet earned in accordance with the SEC's Staff Accounting Bulletin No. 104, *Revenue Recognition in Financial Statements.* If a student withdraws prior to the end of the third week of a semester, the Company will refund all or a portion of tuition already paid pursuant to its refund policy. Textbook sales and other revenues are recognized as sales occur or services are performed and represent less than 10% of total revenues.

Grand Canyon Education, Inc.

Notes to Financial Statements
(In thousands of dollars, except share and per share data) — (Continued)

Instructional Costs and Services

Instructional cost and services consist primarily of costs related to the administration and delivery of the Company's educational programs. This expense category includes salaries and benefits for full-time and adjunct faculty and administrative personnel, costs associated with online faculty, information technology costs, curriculum and new program development costs (which are expensed as incurred) and costs associated with other support groups that provide services directly to the students. This category also includes an allocation of depreciation, amortization, rent, and occupancy costs attributable to the provision of educational services, primarily at the Company's Phoenix, Arizona campus.

Selling and Promotional

Selling and promotional expenses include salaries and benefits of personnel engaged in the marketing, recruitment, and retention of students, as well as advertising costs associated with purchasing leads, hosting events and seminars, and producing marketing materials. This category also includes an allocation of depreciation, amortization, rent, and occupancy costs attributable to selling and promotional activities at the Company's facilities in Phoenix, Arizona and Orem, Utah. Selling and promotional costs are expensed as incurred. Advertising costs, which include marketing leads, events, and promotional materials for the years ended December 31, 2005, 2006, and 2007 were $2,960, $4,235, and $9,213, respectively.

The Company is party to revenue share arrangements with related parties pursuant to which it pays a percentage of the net revenue that it actually receives from applicants recruited by those entities that matriculate at Grand Canyon University. The related party bears all costs associated with the recruitment of these applicants. For the years ended December 31, 2005, 2006, and 2007, the Company expensed approximately $2,839, $3,742, and $4,293, respectively, pursuant to these arrangements. As of December 31, 2006 and 2007, $475 and $416, respectively, were due to these related parties.

General and Administrative

General and administrative expenses include salaries and benefits of employees engaged in corporate management, finance, human resources, compliance, and other corporate functions. General and administrative expenses also include bad debt expense, as well as an allocation of depreciation, amortization, rent, and occupancy costs attributable to the departments providing general and administrative functions.

Royalty to Former Owner

In connection with the February 2, 2004 acquisition of the assets of Grand Canyon University from a non-profit foundation, the Company entered into a royalty fee arrangement with the former owner in which the Company agreed to pay a stated percentage of cash revenue generated by its online programs. In early 2005, in connection with a dispute with the former owner, the Company continued to accrue but did not pay the royalty. As of December 31, 2006 and 2007, the Company had accrued an aggregate of $3,646 and $7,428, respectively, in such payments, which amounts are included in "royalty to former owner" in the accompanying balance sheets. The Company settled all future royalty obligations with the former owner in April 2008 as described above under *Formation and Transactions with Former Owner.*

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 on a per occurrence and aggregate basis. 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.

Concentration of Credit Risk

The Company may extend credit for tuition to some students. A substantial portion is repaid through the student's participation in federally funded financial aid programs. Transfers of funds from the financial aid programs to the Company are made in accordance with the U.S. Department of Education ("Department of Education") requirements. A majority of the Company's revenues are derived from tuition financed under the Title IV programs of the Higher Education Act of 1965, as amended (the "Higher Education Act"). The financial aid and assistance programs are subject to political and budgetary considerations and are subject to extensive and complex regulations. The Company's administration of these programs is periodically reviewed by various regulatory agencies. Any regulatory violation could be the basis for the initiation of potentially adverse actions including a suspension, limitation, or termination proceeding, which could have a material adverse effect on the Company.

Students obtain access to federal student financial aid through a Department of Education prescribed application and eligibility certification process. Student financial aid funds are generally made available to students at prescribed intervals throughout their predetermined expected length of study. Students typically apply the funds received from the federal financial aid programs first to pay their tuition and fees. Any remaining funds are distributed directly to the student.

Accumulated Other Comprehensive Income

The only item of accumulated other comprehensive income relates to unrealized gains and losses on available-for-sale marketable securities at December 31, 2006 and 2007, which totaled $35 (net of taxes of $23) and $80 (net of taxes of $52) at December 31, 2006 and 2007, respectively.

Segment Information

The Company operates as a single educational delivery operation using a core infrastructure that serves the curriculum and educational delivery needs of both its ground and online students regardless of geography. The Company's chief operating decision maker manages the Company's operations as a whole and no expense or operating income information is generated or evaluated on any component level.

New Accounting Standards

In June 2006, the Financial Accounting Standards Board ("FASB") issued Interpretation No. 48, *Accounting for Uncertainty in Income Taxes — an Interpretation of FASB Statement No. 109* ("FIN 48"). This interpretation, among other things, creates a two step approach for evaluating uncertain tax positions. Recognition (step one) occurs when an enterprise concludes that a tax position, based solely on its technical merits, is more-likely-than-not to be sustained upon examination. Measurement (step two) determines the amount of benefit that more-likely-than-not will be realized upon settlement. Derecognition of a tax position that was previously recognized would occur when a company subsequently determines that a tax position no longer meets the more-likely-than-not threshold of being sustained. FIN 48 specifically prohibits the use of a valuation allowance as a substitute for derecognition of tax positions, and it has expanded disclosures. The Company will adopt FIN 48 on January 1, 2008, and does not expect adoption to have a material impact on its financial position or results of operation.

Grand Canyon Education, Inc.

Notes to Financial Statements
(In thousands of dollars, except share and per share data) — (Continued)

In September 2006, the FASB issued SFAS No. 157, *Fair Value Measurements* (“SFAS No. 157”), which provides enhanced guidance for using fair value to measure assets and liabilities. SFAS No. 157 establishes a common definition of fair value, provides a framework for measuring fair value under U.S. generally accepted accounting principles and expands disclosure requirements about fair value measurements. SFAS No. 157 is effective for financial statements issued in fiscal years beginning after November 15, 2007, and interim periods within those fiscal years. The Company does not believe that the adoption of SFAS No. 157 will have a material impact on its financial position or results of operations.

In February 2007, the FASB issued SFAS No. 159, *The Fair Value Option for Financial Assets and Financial Liabilities Including an Amendment of FASB Statement No. 115* (“SFAS No. 159”). This standard permits entities to choose to measure financial instruments and certain other items at fair value and is effective for the first fiscal year beginning after November 15, 2007. SFAS No. 159 must be applied prospectively, and the effect of the first re-measurement to fair value, if any, should be reported as a cumulative effect adjustment to the opening balance of retained earnings. The adoption of SFAS No. 159 is not expected to have a material impact on the Company’s financial position or results of operations.

3. Restricted Cash and Investments

The following is a summary of amounts included in Restricted cash and investments. The Company considers all investments as available for sale;

	As of December 31, 2006			
	Adjusted Cost	Gross Unrealized Gains	Gross Unrealized (Losses)	Estimated Fair Value
Money Market Funds	$ 108	$ —	$ —	$ 108
Municipal Securities	550	10	—	560
U.S. Agency	2,358	48	—	2,406
Total	$ 3,016	$ 58	$ —	$ 3,074

	As of December 31, 2007			
	Adjusted Cost	Gross Unrealized Gains	Gross Unrealized (Losses)	Estimated Fair Value
Money Market Funds	$ 258	$ —	$ —	$ 258
Municipal Securities	550	18	(1)	567
U.S. Agency	2,358	115	—	2,473
Total	$ 3,166	$ 133	$ (1)	$ 3,298

The unrealized losses on the Company’s investments in Municipal Securities were caused by interest rate increases. The cash flows of the Agency instruments are guaranteed by an agency of the U.S. government

Grand Canyon Education, Inc.

Notes to Financial Statements
(In thousands of dollars, except share and per share data) — (Continued)

while Municipal Securities are backed by the issuing municipality's credit worthiness. Contractual maturities of the marketable securities are as follows:

	As of December 31, 2006	As of December 31, 2007
Due in one year or less	$ 108	$ 359
Due in one to five years	402	335
Due in five to ten years	997	1,032
Due after ten years	1,567	1,572
	$ 3,074	$ 3,298

Gross realized gains and losses resulting from the sale of available-for-sale securities were immaterial in the years ended December 31, 2005, 2006, and 2007. For the years ended December 31, 2005, 2006, and 2007, respectively the net unrealized gain (loss) on available-for-sale securities were $0, $35, and $45, net of tax effect.

4. Property and Equipment

Property and equipment consist of the following:

	As of December 31, 2006	As of December 31, 2007
Buildings under capital lease	$ 20,562	$ 20,562
Equipment under capital leases	1,510	2,009
Leasehold improvements	3,984	8,811
Furniture, fixtures and equipment	4,430	8,430
Other	1,086	1,461
Construction in progress	2,574	934
	34,146	42,207
Less accumulated depreciation and amortization	(5,129)	(8,358)
Property and equipment, net	$ 29,017	$ 33,849

Depreciation and amortization expense associated with property and equipment, including assets under capital lease, totaled $1,864, $2,298, and $3,223 for the years ended December 31, 2005, 2006, and 2007, respectively.

5. Accrued Liabilities

Accrued liabilities consist of the following:

	As of December 31, 2006	As of December 31, 2007
Accrued compensation and benefits	$ 1,569	$ 3,775
Accrued interest	671	1,096
Other accrued expenses	804	2,022
	$ 3,044	$ 6,893

Grand Canyon Education, Inc.

Notes to Financial Statements
(In thousands of dollars, except share and per share data) — (Continued)

6. Financing Arrangements

At December 31, 2007, the Company had a line of credit with a bank that provided for borrowings of up to $6,000. The line was intended to provide funding for operations as needed and was collateralized by equipment and fixtures owned by the Company. The interest rate on the line was equal to LIBOR plus 2.0% (6.8% as of December 31, 2007). The line of credit expires in November 2009. As of December 31, 2007 the amount outstanding under this line of credit was $6,000. The line of credit was paid in full in February 2008 and terminated in May 2008.

During 2004, the Company entered into the Spirit Lease. In connection with the Spirit Lease, the Company is required to maintain a $2,000 letter of credit in favor of Spirit. The letter of credit is secured by a pledge of certain Company assets that are included in Restricted cash and investments in the accompanying balance sheet. In conjunction with the terms of the Spirit Lease, Spirit provided the Company with funding to be used for certain leasehold and other capital improvements. At December 31, 2007, the Company was obligated to spend $2,287 by July 2010 on such improvements.

7. Notes Payable and Capital Lease Obligations

Notes payable and capital lease obligations consist of the following:

	As of December 31, 2006	As of December 31, 2007
Capital Lease Obligations		
Capital lease for buildings (monthly payments of $277 at an implicit interest rate of 8.7% through 2024)	$ 29,161	$ 28,451
Capital leases for equipment (various leases extending into 2012, with implicit interest rates ranging from 7.4% to 9.3%, monthly payments totaling $35)	567	777
	29,728	29,228
Less: Current portion of capital lease obligations	949	1,150
	$ 28,779	$ 28,078
Notes Payable		
Institute Loan; 8 quarterly payments of $60 through June 2006 and $120 for 20 quarters through June 2011; implicit interest at 23.6%	$ 1,250	$ 1,250
Kirksville Note; monthly payments of $20; interest at 3.9% through September 2011	1,043	840
Notes payable for vehicles requiring monthly payments with interest rates ranging from 9.5% to 11.0% extending into January 2013	169	318
	2,462	2,408
Less: Current portion	374	646
	$ 2,088	$ 1,762

The Spirit Lease provides the Company with the use of the campus land and buildings for a term of twenty years and provides the Company with four options to extend the term of the lease term for five year periods through 2044. In accordance with SFAS No. 13, *Accounting for Leases*, the lease of the campus land was treated as an operating lease and the lease of the buildings was treated as a capital lease. The lease includes scheduled bi-annual adjustments based on the lesser of 5.0% or 125% of the change in the Consumer Price Index. Under the original lease terms, Spirit provided an advance to make tenant improvements of

Grand Canyon Education, Inc.

Notes to Financial Statements
(In thousands of dollars, except share and per share data) — (Continued)

$6,250 that were received in 2004 and 2005. Through December 31, 2007, the Company had expended $3,963 of the amounts advanced on approved capital improvement projects, and is required to spend the remaining amounts through 2010. In June 2006, Spirit agreed to provide an additional $5,800 of lease funding for tenant improvements. Through December 31, 2007, the Company has expended $4,555 and utilized $3,589 of the tenant improvement funds. The lease provides the Company with an option to purchase the property at the greater of fair value or Spirit's total investment in the property.

Payments due under the notes payable and future minimum lease payments under the capital lease obligations are as follows:

	December 31, 2007	
	Capital Lease Obligations	Notes Payable
2008	$ 3,744	$ 646
2009	3,544	586
2010	3,471	671
2011	3,397	456
2012	3,355	49
Thereafter	34,951	—
	52,462	$ 2,408
Less: Portion representing interest	23,234	
Present value of minimum lease payments	$ 29,228	

8. Commitments and Contingencies

Leases

The Company leases certain land, buildings and equipment under non-cancelable operating leases expiring at various dates through 2023. Future minimum lease payments under operating leases due each year are as follows at December 31, 2007:

2008	$ 2,203
2009	2,153
2010	2,003
2011	1,852
2012	1,852
Thereafter	20,326
Total minimum payments	$ 30,389

Total rent expense and related taxes and operating expenses under operating leases for the years ended December 2005, 2006 and 2007 was $2,052, $2,136 and $2,260, respectively.

Legal Matters

On February 28, 2007, the Company filed a complaint against SunGard Higher Education Managed Services, Inc. in the Maricopa County Superior Court, Case No. CV2007-003492, for breach of contract, breach of implied covenant of good faith and fair dealing, breach of warranty, breach of fiduciary duty, tortious interference with business expectancy, unjust enrichment, and consumer fraud related to technology services agreement between the parties. In response, SunGard moved to stay the litigation and compel arbitration. The court granted the motion to stay, and compelled the parties to arbitrate. SunGard has also counterclaimed alleging breach of contract relating to the parties' technology services agreement. Various other motions have been made and heard, discovery is ongoing, and arbitration is scheduled to commence in late May 2008.

From time to time, the Company is a party to various lawsuits, claims, and other legal proceedings that arise in the ordinary course of business, some of which are covered by insurance. 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. With respect to the majority of pending litigation matters, the Company's ultimate legal and financial responsibility, if any, cannot be estimated with certainty and, in most cases, any potential losses related to those matters are not considered probable. The Company has reserved approximately $750 for losses related to litigation and asserted claims where the Company's ultimate exposure is considered probable and the potential loss can be reasonably estimated, which is classified within accrued liabilities on the accompanying December 31, 2007 balance sheet. There can be no assurance that the ultimate outcome of any of the matters disclosed above will not have a material adverse effect on the Company's financial condition or results of operations. Upon resolution of any pending legal matters, the Company may incur charges in excess of presently established reserves. Management does not believe that any such charges would, individually or in the aggregate, have a material adverse effect on the Company's financial condition, results of operations or cash flows.

9. Earnings Per Share

Basic earnings (loss) per common share is calculated by dividing net income available (loss attributable) to common stockholders by the weighted average number of common shares outstanding for the period. Diluted earnings (loss) per common share reflects the assumed conversion of all potentially dilutive securities, consisting of preferred stock and common stock warrants for which the estimated fair value exceeds the exercise price, less shares which could have been purchased with the related proceeds, unless anti-dilutive. Contingently issuable stock, such as issuances to Blanchard Education, LLC (as discussed in Note 10), is also included in the diluted shares computation if enrollment levels have been attained, unless anti-dilutive. For 2005, diluted earnings (loss) per common share is computed on the same basis as basic earnings (loss) per common share, as the inclusion of potential common shares outstanding would be anti-dilutive.

The table below reflects the calculation of the weighted average number of common shares outstanding on an as if converted basis used in computing basic and diluted earnings (loss) per common share. For 2005, the basic and diluted common shares outstanding is computed by the weighted average membership units outstanding prior to the Company's conversion to a corporation, on a converted basis as if the conversion to a corporation occurred on January 1, 2005 combined with the weighted number of shares of common stock outstanding after the conversion to a corporation.

Grand Canyon Education, Inc.

Notes to Financial Statements
(In thousands of dollars, except share and per share data) — (Continued)

	Year Ended December 31,		
	2005	2006	2007
Denominator:			
Basic common shares outstanding	10,115	10,325	10,342
Effect of dilutive preferred stock	—	7,938	6,787
Effect of dilutive warrants	—	1,844	1,722
Effect of contingently issuable common stock	—	—	9
Diluted common shares outstanding	10,115	20,107	18,860
Weighted average securities that could potentially dilute earnings per share in the future that are not included above as they are anti-dilutive:			
Series A contingently redeemable convertible preferred stock	2,120	—	—
Series B contingently redeemable convertible preferred stock	6	—	—
Common stock warrants	2,337	498	498

10. Preferred Stock and Equity Transactions

Preferred Stock

As of December 31, 2007, the following series of preferred stock have been authorized:

Series A Preferred Stock

The Company entered into a Series A preferred stock (the "Series A") purchase agreement on August 24, 2005. The holders of Series A are entitled to vote and to receive dividends, when and as declared by the board of directors from time to time, in each case on an as-converted to common stock basis. The shares of Series A may convert into common stock at any time at the option of the holder thereof at the then applicable conversion rate, and all shares of Series A automatically convert into common stock at the then applicable conversion rate upon the consummation of a registered initial public offering that results in net cash proceeds to the Company (after deducting applicable underwriting discounts and commissions) of not less than $30,000 and that has an offering price per share to the public of not less than $5 (as adjusted to reflect stock dividends, stock splits, combinations and similar actions). In the event of liquidation, or a change in control, as defined, the holders of the Series A are entitled to receive in preference to holders, other than holders of Series B preferred stock (the "Series B") and Series C preferred stock (the "Series C"), any distributions of the assets of the Company equal to three times the original purchase price of the shares, or $9,702 per share, subject to certain adjustments.

On, or at any time, or from time to time, after February 24, 2009 and before August 24, 2009, each holder of the Series A may offer to the Company in writing the opportunity to redeem all or a portion of such holder's outstanding shares of the Series A during the six month period following the Company's receipt of such offer for value greater than the then current liquidation value or fair value as determined by an independent appraisal or public market. A majority of the board of directors (excluding the members of the board who are holders of the Series A) may accept or reject the offer. If the board of directors chooses not to redeem the Series A during this optional redemption period, then the holders of a majority of the Series A may, at their option, take voting control of the Company, pursuant to which, in any vote by the holders of the common stock, the holders of the Series A shall be deemed to have that number of votes, on an as-converted to common stock basis, necessary to comprise a majority of the common stock entitled to vote on such matter.

During 2005, the Company issued 1,624 shares of Series A and received net proceeds of $4,610. Additionally, the Company converted $14,000 of principal on senior secured promissory notes into 4,329 shares of Series A.

Series B Preferred Stock

On December 31, 2005, the Company entered into a Series B preferred stock purchase agreement. The holders of Series B were entitled to receive, in preference to the holders of Series A, when and as declared by the board of directors, cumulative dividends at a rate of 12.0% per year, less the amount of any dividends actually paid. Such dividends accrued whether or not declared by the board of directors, and whether or not there were funds legally available to pay dividends. The Series B is non-voting.

On December 31, 2005 the Company issued 2,163 shares Series B and received net proceeds of $6,980 in the form of a stock subscription receivable. The receivable was subsequently paid in April 2006. On November 6, 2006, the Company redeemed 1,298 shares of the Series B for an aggregate redemption price of $4,200 plus accrued and unpaid dividends of $286. Dividends of $241 on the remaining shares of Series B were declared by the board of directors of which $213 were paid as of December 31, 2006. During 2007, the Company declared $320 of dividends on the Series B of which $153 was paid with the remaining balance accrued for as dividends payable. The remaining 865 shares of Series B were converted into 800 shares of Series C on December 17, 2007. As of December 31, 2007, no shares of Series B remain outstanding.

Series C Preferred Stock

On December 18, 2007, the Company entered into a Series C preferred stock purchase agreement and subscription agreement. The holders of Series C are entitled to receive, in preference to the holders of the all other classes of stock, when and as declared by the board of directors or upon a liquidation event, cumulative dividends at a rate of 8.0% per year, less the amount of any dividends actually paid. Such dividends accrue whether or not declared by the board of directors, whether or not there are funds legally available to pay dividends, and compound on an annual basis. In the event of liquidation, or a change in control, as defined, the holders of the Series C are entitled to receive, in preference to all other shareholders, any distributions of the assets of the Company equal to two times the original purchase price of the shares, or $7,000 per share, subject to certain adjustments, plus all accumulated but unpaid dividends. The Series C is non-voting.

Upon the consummation of a public offering that results in net cash proceeds to the Company (after deducting applicable underwriting discounts and commissions) of more than $75,000, each shareholder shall vote for, consent to, and raise no objection against the redemption by the Company of all shares of the Series C at a redemption price equal to two times the original Series C issuance price, as adjusted for any stock dividends, less any Series C dividends previously paid.

On December 18, 2007 the Company issued 1,359 shares of Series C stock and received net proceeds of $4,720 in cash and a subscription receivable of $5,725 for the remaining 1,636 shares, which were paid for and issued in January 2008. Additionally, the Company issued 34 shares of Series C in consideration for amounts owed to one of the Series B stockholders and converted 865 shares of Series B for 800 shares of Series C as noted above. Cumulative undeclared dividends on the Series C were $29 at December 31, 2007.

Common Stock

On August 24, 2005, in connection with its conversion from a limited liability company to a corporation, the Company issued and exchanged one share of common stock to its membership holders in exchange for each 100 of their previously outstanding membership units in the limited liability company. Concurrently, the Company also issued 325 shares of common stock to a prospective investor in settlement of a legal action.

Grand Canyon Education, Inc.

Notes to Financial Statements
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Each share of the Company's common stock is entitled to one vote. All shares of common stock rank equally as to voting and all other matters. The shares of common stock have no preemptive or conversion rights, no redemption or sinking fund provisions, are not liable for further call or assessment, and are not entitled to cumulative voting rights. Subject to the prior rights of holders of preferred stock, the holders of common stock are entitled to share ratably in any dividends and in any assets remaining upon liquidation after satisfaction of the rights of the holders of preferred stock.

In June 2004, the Company entered into a license agreement with Blanchard Education, LLC ("Blanchard") relating to the Company's use of the Ken Blanchard name for its College of Business. Under the terms of that agreement the Company agreed to issue to Blanchard up to 498 shares of common stock with the actual number issued to be contingent upon the Company's achievement of stated enrollment levels in its College of Business during the term of the agreement. Blanchard had no future performance obligations with respect to the agreement; therefore the Company charged $130 to expense in 2004 based upon the estimated fair value of the award at that date. As of December 31, 2007, 100 shares were earned and due to Blanchard under this agreement, but none had been issued. On May 9, 2008, the Company and Blanchard amended the terms of the agreement, pursuant to which Blanchard was issued 200 shares of the Company's common stock in full settlement of all shares owed and contingently owed under this agreement.

Warrants to Purchase Common Stock

On June 25, 2004, the Company issued a warrant to the Institute (the "Institute Warrant") to purchase a 10.0% non-dilutive membership interest (later amended to be common stock), at an exercise price of $1. The Institute Warrant was to have been exercisable for a one month period beginning on July 1, 2011. The Company had the right to repurchase the Institute Warrant prior to the exercise period for $6,000. On April 15, 2008 the Institute Warrant was canceled with the execution of the settlement discussed in Note 2.

On June 28, 2004, the Company issued to Spirit a warrant to purchase a 5.0% membership interest in common stock of the Company (the "Spirit Warrant") for $526, as adjusted to be 498 shares of common stock in conjunction with the conversion to a corporation. The Spirit Warrant is exercisable from January 1, 2005 through June 28, 2024 (the last day of the Spirit lease term). The Spirit Warrant, and any shares issuable upon exercise of the Spirit Warrant, are subject to repurchase at a fixed price of $16,000 at any time prior to the earlier of the expiration date of the Spirit Warrant or three years after the Spirit Warrant is exercised. This repurchase option may be exercised in whole or in part, first, by the group of stockholders that constitute the former holders of the Company's membership interests and, second, if they do not exercise the option upon the occurrence of certain liquidity transactions, including an underwritten public offering that results in net cash proceeds of not less than $30,000, by the Company. As of December 31, 2007 the warrant had not been exercised nor had any of the repurchase rights been executed.

Investor Rights Agreement

The Company is a party to an investor rights agreement with certain of its investors, pursuant to which the Company has granted those persons or entities the right to register shares of common stock held by them under the Securities Act of 1933, as amended (the "Securities Act"). Certain of the holders of these rights are entitled to demand that the Company register their shares of common stock under the Securities Act, while others are entitled to "piggyback" registration rights in which they may require the Company to include their shares of common stock in future registration statements that may be filed, either for its own account or for the account of other security holders exercising registration rights. In addition, after an initial public offering, certain of these holders have the right to request that their shares of common stock be registered on a Form S-3 registration statement so long as the anticipated aggregate sales price of such registered shares as of the date of filing of the Form S-3 registration statement is at least $1,000. The foregoing registration rights are

Grand Canyon Education, Inc.

Notes to Financial Statements
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subject to various conditions and limitations, including the right of underwriters of an offering to limit the number of registrable securities that may be included in an offering. The registration rights terminate as to any particular shares on the date on which the holder sells such shares to the public in a registered offering or pursuant to Rule 144 under the Securities Act. The Company is generally required to bear all of the expenses of these registrations, except underwriting commissions, selling discounts, and transfer taxes.

11. Income Taxes

The Company has deferred tax assets and liabilities that reflect the net tax effects of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for income tax purposes. Deferred tax assets are subject to periodic recoverability assessments. Realization of the deferred tax assets, net of deferred tax liabilities is principally dependent upon achievement of projected future taxable income. The Company has no valuation allowance at December 31, 2006 and 2007.

The components of income tax expense (benefit) are as follows:

	Year Ended December 31,		
	2005	2006	2007
Current:			
Federal	$ 220	$ 2,224	$ 2,196
State	34	456	478
	254	2,680	2,674
Deferred:			
Federal	(1,760)	(1,252)	(604)
State	(386)	(244)	(131)
	(2,146)	(1,496)	(735)
	$ (1,894)	$ 1,184	$ 1,939

A reconciliation of income tax computed at the U.S. statutory rate to the effective income tax rate is as follows:

	Year Ended December 31,		
	2005	2006	2007
Statutory U.S. federal income tax rate (benefit)	(34.0)%	34.0%	34.0%
State income taxes, net of federal tax benefit	(1.8)	4.8	4.6
Recognition of deferred taxes upon charter conversion	(19.3)	—	—
Loss prior to charter conversion not subject to tax	20.6	—	—
Meals and entertainment	0.3	2.0	0.3
Other	1.0	1.0	0.4
Effective income tax rate (benefit)	(33.2)%	41.8%	39.3%

Grand Canyon Education, Inc.

Notes to Financial Statements
(In thousands of dollars, except share and per share data) — (Continued)

Significant components of the Company's deferred income tax assets and liabilities as of December 31, 2006 and 2007, are as follows:

	As of December 31, 2006	As of December 31, 2007
Current deferred tax asset (liability):		
Accounts receivable allowance for doubtful accounts	$ 1,496	$ 2,490
State taxes	(59)	(97)
Other	155	(55)
Current deferred tax asset	1,592	2,338
Non-current deferred tax asset (liability):		
Depreciation	1,938	1,712
Unrealized gains on available for sale securities	(23)	(52)
Intangibles	112	326
Non-current deferred tax asset	2,027	1,986
Net deferred tax asset	$ 3,619	$ 4,324

12. Regulatory

The Company is subject to extensive regulation by federal and state governmental agencies and accrediting bodies. In particular, the Higher Education Act and the regulations promulgated thereunder by the Department of Education subject the Company to significant regulatory scrutiny on the basis of numerous standards that schools must satisfy in order to participate in the various federal student financial assistance programs under Title IV of the Higher Education Act.

To participate in the Title IV programs, an institution must be authorized to offer its programs of instruction by the relevant agency of the state in which it is located, accredited by an accrediting agency recognized by the Department of Education and certified as eligible by the Department of Education. The Department of Education will certify an institution to participate in the Title IV programs only after the institution has demonstrated compliance with the Higher Education Act and the Department of Education's extensive regulations regarding institutional eligibility. An institution must also demonstrate its compliance to the Department of Education on an ongoing basis. As of December 31, 2007, management believes the Company is in compliance with the applicable regulations in all material respects.

The Higher Education Act requires accrediting agencies to review many aspects of an institution's operations in order to ensure that the training offered is of sufficiently high quality to achieve satisfactory outcomes, and that the institution is complying with accrediting standards. Failure to demonstrate compliance with accrediting standards may result in the imposition of probation or Show Cause orders, or the requirements of periodic reports, and ultimately the loss of accreditation if deficiencies are not remediated.

Political and budgetary concerns significantly affect the Title IV programs. Congress must reauthorize the student financial assistance programs of the Higher Education Act approximately every five to six years. The last comprehensive reauthorization of the Higher Education Act took place in 1998, and it has been temporarily extended several times since then. Congress has been considering a comprehensive reauthorization of the Higher Education Act.

A significant component of Congress' initiative to reduce abuse in the Title IV programs has been the imposition of limitations on institutions whose former students default on the repayment of their federally guaranteed or funded student loans above specific rates (cohort default rate). Although the Company is not obligated to repay any of its students' or former students' defaults on payments of their federally guaranteed student loans, if such default rates equal or exceed 25% for three consecutive years, the institution may lose its eligibility to participate in, and its students will be denied access to, the federally guaranteed and funded student loan programs and the Federal Pell Grant program. An institution whose cohort default rate for any federal fiscal year exceeds 40% may have its eligibility to participate in all of the Title IV programs limited, suspended or terminated by the Department of Education.

All institutions participating in the Title IV programs must satisfy specific standards of financial responsibility. The Department of Education evaluates institutions for compliance with these standards each year, based on the institution's annual audited financial statements, and also following a change in ownership, as defined by the Department of Education.

The Department of Education calculates the institution's composite score for financial responsibility based on its (i) equity ratio, which measures the institution's capital resources, ability to borrow and financial viability; (ii) primary reserve ratio, which measures the institution's ability to support current operations from expendable resources; and (iii) net income ratio, which measures the institution's ability to operate at a profit. An institution that does not meet the Department of Education's minimum composite score may demonstrate its financial responsibility by posting a letter of credit in favor of the Department of Education and possibly accepting other conditions on its participation in the Title IV programs. As of December 31, 2007, the Company satisfied each of the Department of Education's standards of financial responsibility.

Because the Company operates in a highly regulated industry, it, like other industry participants, may be subject from time to time to investigations, claims of non-compliance, or lawsuits by governmental agencies or third parties, which allege statutory violations, regulatory infractions, or common law causes of action. While there can be no assurance that regulatory agencies or third parties will not undertake investigations or make claims against the Company, or that such claims, if made, will not have a material adverse effect on the Company's business, results of operations or financial condition, management believes it has materially complied with all regulatory requirements.

13. Employee Benefit Plan

Effective February 1, 2004 the Company adopted a 401(k) Defined Contribution Benefit Plan (the "Plan"). The Plan provides eligible employees, upon date of hire, with an opportunity to make tax-deferred contributions into a long-term investment and savings program. All employees over the age of 21 are eligible to participate in the plan. The Plan allows eligible employees to contribute to the Plan subject to Internal Revenue Code restrictions and the Plan allows the Company to make discretionary matching contributions. No employer contributions were made for the years ended December 31, 2005 and 2006. The Company made discretionary matching contributions to the plan of $250 for the year ended December 31, 2007.

14. Related Party Transactions

Related parties include shareholders and their affiliates. As the Company participates in the Title IV programs administered by the Department of Education pursuant to the Higher Education Act, the Company must comply with the regulations promulgated under the Higher Education Act. Those regulations require that all related party transactions be disclosed, regardless of their materiality to the financial statements. The following transactions are in the normal course of operations and are measured at the exchange amount, which is the amount of consideration established and agreed to by the related parties.

Grand Canyon Education, Inc.

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As of and for the year ended December 31, 2005, 2006, and 2007, related party transactions consisted of the following:

Shareholders

Significant Education Holding, LLC (Sig Ed) — At December 31, 2007, Sig Ed holds 10,000 shares of the Company's common stock. The Company has not engaged in any transactions with Sig Ed, but has engaged in certain transactions with members of Sig Ed, as discussed below.

220 Partners, LLC (220 Partners) — 220 Partners, which is affiliated with several entities that hold membership interests in Sig Ed and a former director of the Company, received management, consulting fees, and reimbursed expenses of $299, $299, and $0 in the years ended December 31, 2005, 2006, and 2007, respectively. There were no amounts due from or payable to 220 Partners at December 31, 2006, and 2007.

Affiliates of 220 Partners purchased 1,005 shares of Series A for $3,250 during 2005 and also purchased 632 shares of Series C for $2,212 in 2007, of which $1,409 was due as of December 31, 2007. There were no amounts due from or payable to an affiliate of 220 Partners at December 31, 2006 and 2007.

Rich Crow Enterprises, LLC (Rich Crow) — Members of Rich Crow include the Chief Executive Officer (CEO) and General Counsel (Counsel) of the Company who are also both Directors. Rich Crow also is a member of Sig Ed. A member of Rich Crow is also related to the owner of a company that provided marketing services totaling $454 in the year ended December 31, 2007, of which $72 was owed at December 31, 2007.

The Company had a non-cancelable operating lease agreement for administrative facilities with Arrowhead Holdings Management Co., LLC (Arrowhead), a management company owned by, among others, irrevocable trust for the benefit of the Company's CEO and General Counsel. The Company paid $155, $0, and $0 for services and reimbursements during the years ended December 31, 2005, 2006 and 2007, respectively.

Members of Rich Crow had a $2,000 irrevocable letter of credit in favor of the Company as discussed further in Note 6. During 2006, this letter of credit was transferred from Rich Crow and collateralized by cash of the Company and secured by the lease facilities of the Company.

The Company received subscriptions for 865 shares of Series B in 2005 for the amount of $2,800, which was recorded as a related party subscription receivable due from Rich Crow. The subscription receivable was paid in April 2006 with $2,908 in marketable securities resulting in a balance due to Rich Crow of $120 as of December 31, 2006, which was satisfied though the payment of 34 shares of Series C in 2007. Rich Crow received 800 shares of Series C in consideration for 865 shares of Series B shares during the year ended December 31, 2007. The Company also paid $212 and $153 in Series B dividends to Rich Crow during 2006 and 2007, respectively, and owed Rich Crow $29 and $207 as a dividend payable as of December 31, 2006 and 2007, respectively. The Company made $51 payments to a company that provided telecommunications services that was owned by a relative of the CEO of the Company as of December 31, 2007. The Company also made a sponsorship payment of $3 to a company that is owned by a relative of the CEO as of December 31, 2007.

Significant Ventures, LLC (Significant Ventures) — Significant Ventures is a member of Sig Ed. During the year ended December 31, 2005, the Company made cash payments of $260 of which $240 was deemed a return of capital to a member of Significant Ventures as presented in the accompanying statement of stockholders' equity. In addition, the Company made payments of $124, $390, and $0 to Significant Ventures for services and reimbursement of expenses in the years ended December 31, 2005, 2006, and 2007, respectively. There were no amounts due from or payable to Significant Ventures as of December 31, 2006, and 2007.

Significant Ventures purchased 652 shares of Series C for $2,282, which was included in due from related parties on the accompanying balance sheet at December 31, 2007.

Lavaca Sig Ed, LLC (Lavaca Partners) — Lavaca Partners is a member of Sig Ed. A member of Lavaca Partners who provided legal services to the Company and was paid $94, $30 and $0 in the years ended December 31, 2005, 2006 and 2007. There were no amounts due from or payable to Lavaca Partners as of December 31, 2006, and 2007.

Lavaca Partners purchased three shares of Series C stock for $12 which was included in due from related parties on the accompanying balance sheet at December 31, 2007.

Accretive Investors V, LLC (Accretive) — As a result of a settlement agreement between the Company and Accretive, the Company paid direct costs of $206 and issued 325 shares of common stock to settle a dispute with Accretive. The estimated fair value of the common stock of $60 was expenses upon issuance in the year ended December 31, 2005. There were no amounts due from or payable to Accretive as of December 31, 2006 and 2007.

Endeavour Capital Fund IV, LP, Endeavour Associated Fund IV, LP, and Endeavour Capital Parallel Fund IV, LP (Endeavour) — Members of the Company's Board of Directors are also employees of Endeavour. In March 2005, the Company obtained $14,000 from Endeavour in exchange for the issuance of senior secured promissory notes. The Company paid interest of $340 to Endeavour in relation to the notes. On August 24, 2005, when the Company converted into a corporation, the principal balance on the promissory notes was converted into Series A. Endeavour also paid $2,000 for additional shares of Series A. Direct costs related to the equity contribution totaled $434, which were accounted for as a reduction of the proceeds. The Company also paid Endeavour management and reimbursed fees of $88, $269 and $296 for the years ended December 31, 2005, 2006 and 2007, respectively.

Endeavour subscribed for shares of Series B in 2005 for the amount of $4,200. The subscription receivable was paid in April 2006. In November 2006, the Company repurchased the Series B from Endeavour for $4,200 plus accrued dividends of $285. In December 2007, Endeavour purchased 1,675 shares of Series C for $3,952. As of December 31, 2007, Endeavour owed $1,910 related to the Series C subscription which is included in due from related parties on the accompanying balance sheet. As of December 31, 2006 and 2007 there were no other amounts due from or payable to Endeavour.

Carey Family Trust (Carey) — Carey is a member of Sig Ed. As of December 31, 2007, Carey owed $112 related to 32 shares of Series C subscribed to and this amount is included in due from related parties on the accompanying balance sheets.

Affiliates

Mind Streams, LLC (Mind Streams) and 21st Century, LLC (21st Century) — Mind Streams and 21st Century are owned and operated, in part, by the father of, the Company's CEO and General Counsel. See further discussion in Note 2, Summary of Significant Accounting Policies — Selling and Promotional.

Youth In Motion — Youth In Motion is owned by the Chief Operating Officer (COO) of the Company. The Company paid consulting fees and expense reimbursements to Youth In Motion of $188, $113 and $0 in the years ended December 31, 2005, 2006, and 2007, respectively. There were no amounts due from or payable to Youth In Motion at December 31, 2006 and 2007.

Grand Canyon Education, Inc.

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Blanchard Education LLC (Blanchard) — In June 2004, the Company entered into a licensing agreement with Blanchard for certain intellectual property rights. In consideration for entering into the agreement, the Company agreed to pay Blanchard a royalty of 5.0% of net tuition from the Company's business school and also granted Blanchard a contingent stock award described in Note 10. For the years ended December 31, 2005, 2006, and 2007 the Company paid Blanchard royalties of $156, $299, and $631, respectively. As of December 31, 2005, 2006, and 2007 the Company had included in due to related parties $107, $213, and $382 in royalties payable under this agreement.

Spirit Finance (Spirit) — The Company leases its primary operating facilities from Spirit. Payments totaling $3,227, $3,422, and $4,128 were made under the agreement in the years ended December 31, 2005, 2006, and 2007. As part of the lease agreement, Spirit provided cash of $718, $3,589, and $0 for facility improvements during the years ended December 31, 2005, 2006, and 2007, respectively. Spirit also holds a common stock purchase warrant in the Company as further discussed in Note 10.

Grand Canyon University Institute of Advanced Studies (the Institute) — The Institute is the former owner of the assets and property of the Company. The Company has a property management agreement for student housing with the Institute. The Company made payments totaling $1,241, $1,140, and $1,245 under the agreement during the years ended December 31, 2005, 2006, and 2007, respectively. The Institute also sub-leases space from the Company at no charge in the years ended December 31, 2005, 2006, and 2007.

The Center for Educational Excellence, LLC (CEE) — Members of CEE include the COO of the Company. The Company paid $607 of expenses on CEE's behalf during the year ended December 31, 2007 and was reimbursed $331, and was owed $276 included in due from related parties at December 31, 2007.

15. Valuation and Qualifying Accounts

	Balance at Beginning of Year	Charged to Expense	Deductions(1)	Balance at End of Year
Allowance for doubtful accounts receivable:				
Year ended December 31, 2005	$ 2,868	696	(1,132)	$ 2,432
Year ended December 31, 2006	$ 2,432	2,873	(1,652)	$ 3,653
Year ended December 31, 2007	$ 3,653	3,905	(1,479)	$ 6,079

(1) Deductions represent accounts written off, net of recoveries.

16. Subsequent Events

Blanchard Amendment: On May 8, 2008, the Company entered into an amendment to the license agreement with Blanchard in which the parties agreed to fix the number of shares of common stock to which Blanchard is entitled under the license agreement. In connection with the amendment the Company issued to Blanchard 200 shares of common stock.

Initial Public Offering and Distribution of Dividends: In 2008, the Company commenced preparation for an initial public offering under the Securities Act. On May 8, 2008 the Company's Board of Directors approved the payment of a special distribution to its stockholders of record as of [l] to be paid from the proceeds of the initial public offering, if and when it is completed. As the above special distribution represents distributions to existing shareholders to be made from the proceeds of an initial public offering the accompanying pro forma balance sheet as of December 31, 2007 reflecting the distribution, but not giving effect to the offering proceeds, is presented. In addition, as the amount of distribution exceeds net income for the year ended December 31, 2007, pro forma earnings per common share, basic and diluted, are presented in

Grand Canyon Education, Inc.

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the accompanying 2007 statement of operations, giving effect to the number of shares that would be required to be issued at an assumed initial public offering price of $[l] per share to pay the amount of dividends that exceeds net income for the year ended December 31, 2007. The calculations of the pro forma earnings per common share, basic and diluted, discussed above are as follows:

Net income available to common stockholders	$	2,642
Amount of dividends to be paid		[l]
Excess of dividends over earnings		[l]
Number of shares required to be issued at $[l] per share to pay excess of dividends over earnings		[l]
Shares used in computing earnings per common share — historical:		
Basic		10,342
Diluted		18,860
Shares used in computing earnings per common share — pro forma:		
Basic		[l]
Diluted		[l]
Pro forma earnings per common share:		
Basic		[l]
Diluted		[l]

PART II

INFORMATION NOT REQUIRED IN PROSPECTUS

Item 13. ***Other Expenses of Issuance and Distribution.***

The following are the estimated expenses to be incurred in connection with the issuance and distribution of the securities registered under this registration statement, other than underwriting discounts and commissions. All amounts shown are estimates except the SEC registration fee and the Financial Industry Regulatory, Inc. filing fee. The following expenses will be borne solely by the registrant.

SEC registration fee	$ 9,039
FINRA filing fee	23,500
Nasdaq listing fee	*
Legal fees and expenses	*
Accounting fees and expenses	*
Printing expenses	*
Transfer agent fees and expenses	*
Miscellaneous expenses	*
Total	$

* Estimate

Item 14. ***Indemnification of Directors and Officers.***

Section 145(a) of the DGCL provides, in general, that a corporation may indemnify any person who was or is a party or is threatened to be made a party to any threatened, pending, or completed action, suit, or proceeding, whether civil, criminal, administrative, or investigative (other than an action by or in the right of the corporation), because he or she is or was a director, officer, employee, or agent of the corporation, or is or was serving at the request of the corporation as a director, officer, employee, or agent of another corporation, partnership, joint venture, trust, or other enterprise, against expenses (including attorneys' fees), judgments, fines, and amounts paid in settlement actually and reasonably incurred by the person in connection with such action, suit, or proceeding, if he or she acted in good faith and in a manner he or she reasonably believed to be in or not opposed to the best interests of the corporation and, with respect to any criminal action or proceeding, had no reasonable cause to believe his or her conduct was unlawful.

Section 145(b) of the DGCL provides, in general, that a corporation may indemnify any person who was or is a party or is threatened to be made a party to any threatened, pending, or completed action or suit by or in the right of the corporation to procure a judgment in its favor because the person is or was a director, officer, employee, or agent of the corporation, or is or was serving at the request of the corporation as a director, officer, employee, or agent of another corporation, partnership, joint venture, trust, or other enterprise, against expenses (including attorneys' fees) actually and reasonably incurred by the person in connection with the defense or settlement of such action or suit if he or she acted in good faith and in a manner he or she reasonably believed to be in or not opposed to the best interests of the corporation, except that no indemnification shall be made with respect to any claim, issue, or matter as to which he or she shall have been adjudged to be liable to the corporation unless and only to the extent that the Court of Chancery or other adjudicating court determines that, despite the adjudication of liability but in view of all of the circumstances of the case, he or she is fairly and reasonably entitled to indemnity for such expenses which the Court of Chancery or other adjudicating court shall deem proper.

Section 145(g) of the DGCL provides, in general, that a corporation may purchase and maintain insurance on behalf of any person who is or was a director, officer, employee, or agent of the corporation, or is or was serving at the request of the corporation as a director, officer, employee, or agent of another corporation, partnership, joint venture, trust or other enterprise against any liability asserted against such person and incurred by such person in any such capacity, or arising out of his or her status as such, whether or not the corporation would have the power to indemnify the person against such liability under Section 145 of the DGCL.

Section 8.1 of our bylaws that will be in effect upon completion of this offering will provide that we will indemnify, to the fullest extend permitted by the DGCL, any person who was or is made or is threatened to be made a party or is otherwise involved in any action, suit, or proceeding, whether civil, criminal, administrative, or investigative, by reason of the fact that he, or a person for whom he is the legal representative, is or was one of our directors or officers or, while serving as one of our directors or officers, is or was serving at our request as a director, officer, employee, or agent of another corporation or of another entity, against all liability and loss suffered and expenses (including attorneys' fees) reasonably incurred by such person, subject to limited exceptions relating to indemnity in connection with a proceeding (or part thereof) initiated by such person. Section 8.1 of our bylaws that will be in effect upon completion of this offering will further provide for the advancement of expenses to each of our officers and directors.

Article IX of our charter that will be in effect upon completion of this offering will provide that, to the fullest extent permitted by the DGCL, as the same exists or may be amended from time to time, our directors shall not be personally liable to us or our stockholders for monetary damages for breach of fiduciary duty as a director. Under Section 102(b)(7) of the DGCL, the personal liability of a director to the corporation or its stockholders for monetary damages for breach of fiduciary duty can be limited or eliminated except (i) for any breach of the director's duty of loyalty to the corporation or its stockholders; (ii) for acts or omissions not in good faith or which involve intentional misconduct or a knowing violation of law; (iii) under Section 174 of the DGCL (relating to unlawful payment of dividend or unlawful stock purchase or redemption); or (iv) for any transaction from which the director derived an improper personal benefit.

We also intend to maintain a general liability insurance policy which covers certain liabilities of directors and officers of our company arising out of claims based on acts or omissions in their capacities as directors or officers, whether or not we would have the power to indemnify such person against such liability under the DGCL or the provisions of charter or bylaws.

In connection with the sale of common stock being registered hereby, we intend to enter into indemnification agreements with each of our directors and our executive officers. These agreements will provide that we will indemnify each of our directors and such officers to the fullest extent permitted by law and by our charter and bylaws.

In any underwriting agreement we enter into in connection with the sale of common stock being registered hereby, the underwriters will agree to indemnify, under certain conditions, us, our directors, our officers and persons who control us, within the meaning of the Securities Act, against certain liabilities.

Item 15. ***Recent Sales of Unregistered Securities.***

In the three years preceding the filing of this registration statement, we have issued the following securities that were not registered under the Securities Act:

Preferred Stock

On March 31, 2005, we sold $14.0 million aggregate principal amount of notes to the Endeavour Entities. On August 24, 2005, we sold 5,953 shares of our newly designated Series A preferred stock at a purchase price of $3,233.67 per share, or $19.3 million total, of which 4,948 shares were sold to the Endeavour Entities and 1,005 shares were sold to 220 GCU, L.P. A substantial portion of the purchase price paid by the Endeavour Entities was paid through the contributions to us of the notes that were previously issued to the Endeavour Entities. The sales were made in reliance on Rule 506 of Regulation D promulgated under the Securities Act.

On December 31, 2005, we issued 2,163 shares of our newly designated Series B preferred stock and received gross proceeds of approximately $7.0 million, or $3,236.25 per share, in the form of a stock subscription receivable. The receivable was subsequently paid in April 2006. Of these shares, 1,298 were sold to the Endeavour Entities and 865 were sold to Rich Crow Enterprises, LLC. The sales were made in reliance on Rule 506 of Regulation D promulgated under the Securities Act.

On December 18, 2007, we sold an aggregate of 3,829 shares of our newly designed Series C preferred stock at a purchase price of $3,500 per share, or approximately $13.4 million total, of which 1,675 shares were sold to the Endeavour Entities, 834 shares were sold to Rich Crow Enterprises, LLC, and 935 shares were sold to 220 GCU, LP and certain of its affiliates. The sales were made in reliance on Rule 506 of Regulation D promulgated under the Securities Act.

Item 16. ***Exhibits and Financial Statement Schedules.***

(a) Exhibits.

Number	Description
1.1	Form of Underwriting Agreement*
3.1	Amended and Restated Certificate of Incorporation*
3.2	Amended and Restated Bylaws*
4.1	Specimen of Stock Certificate*
4.2	Investor Rights Agreement, dated August 24, 2005, by and among Significant Education, Inc. and the other parties named therein*
5.1	Opinion of DLA Piper US LLP*
10.1	Senior Management Agreement, dated August 24, 2005, by and between Significant Education, Inc. and Brent Richardson†
10.2	Senior Management Agreement, dated August 24, 2005, by and between Significant Education, Inc. and Christopher Richardson†
10.3	Senior Management Agreement, dated August 24, 2005, by and between Significant Education, Inc. and John Crowley†
10.4	Amendment to Senior Management Agreement, dated June 28, 2006, by and between Significant Education, Inc. and John Crowley†
10.5	2008 Equity Incentive Plan*
10.6	2008 Employee Stock Purchase Plan*
10.7	Lease Agreement, effective June 28, 2004, by and between Spirit Finance Acquisitions, LLC and Significant Education, LLC
10.8	First Amendment to Lease Agreement, effective September 24, 2004, by and between Spirit Finance Acquisitions, LLC and Significant Education, LLC
10.9	Second Amendment to Lease Agreement, effective August 23, 2005, by and between Spirit Master Funding, LLC and Significant Education, LLC
10.10	Third Amendment to Lease Agreement, effective June 2006, by and between Spirit Master Funding, LLC and Significant Education, Inc.
10.11	Fourth Amendment to Lease Agreement, effective August 9, 2006, by and between Spirit Master Funding, LLC and Significant Education, Inc.
10.12	Fifth Amendment to Lease Agreement, effective December 31, 2006, by and between Spirit Master Funding, LLC and Significant Education, Inc.
10.13	Sixth Amendment to Lease Agreement, effective September 30, 2007, by and between Spirit Master Funding, LLC and Significant Education, Inc.
10.14	Seventh Amendment to Lease Agreement, effective March 28, 2008, by and between Spirit Master Funding, LLC and Significant Education, Inc.
10.15	License Agreement, dated June 30, 2004, by and between Blanchard Education, LLC and Significant Education, LLC
10.16	Letter Agreement, dated February 6, 2006, by and between The Ken Blanchard Companies and Grand Canyon University

Number	Description
10.17	Amendment to License Agreement, dated May 8, 2008, by and between Blanchard Education, LLC and Grand Canyon Education, Inc.
10.18	Collaboration Agreement, dated July 11, 2005, by and between Mind Streams, LLC and Significant Education, LLC (as supplemented by Project One and Project Two)*
23.1	Consent of DLA Piper US LLP (included in Exhibit 5.1)*
23.2	Consent of Independent Registered Public Accounting Firm
24.1	Power of Attorney (included in page II-5)
99.1	Consent of David J. Johnson
99.2	Consent of Jack A. Henry

Significant Education, LLC is the predecessor to Significant Education, Inc., which is the former name of Grand Canyon Education, Inc.

* To be filed by amendment.

† Indicates a management contract or any compensatory plan, contract or arrangement.

(b) Financial Statement Schedules

All schedules are omitted because they are not required, are not applicable or, the information is included in the financial statements or the notes thereto.

Item 17. ***Undertakings.***

Insofar as indemnification for liabilities arising under the Securities Act may be permitted to our directors, officers, and controlling persons pursuant to the foregoing provisions, or otherwise, we have been advised that in the opinion of the SEC such indemnification is against public policy as expressed in the Securities Act and is, therefore, unenforceable. In the event that a claim for indemnification against such liabilities (other than the payment by us of expenses incurred or paid by a director, officer, or controlling person of us in the successful defense of any action, suit, or proceeding) is asserted by such director, officer, or controlling person in connection with the securities being registered, we will, unless in the opinion of counsel the matter has been settled by controlling precedent, submit to a court of appropriate jurisdiction the question whether such indemnification by us is against public policy as expressed in the Securities Act and will be governed by the final adjudication of such issue.

The undersigned registrant hereby undertakes to provide to the underwriters at the closing specified in the underwriting agreement, certificates in such denominations and registered in such names as required by the underwriters to permit prompt delivery to each purchaser.

We hereby undertake that:

(i) for purposes of determining any liability under the Securities Act, the information omitted from the form of prospectus filed as part of this registration statement in reliance upon Rule 430A and contained in a form of prospectus filed by the registrant pursuant to Rule 424(b)(1) or (4) or 497(h) under the Securities Act shall be deemed to be part of this registration statement as of the time it was declared effective.

(ii) for purposes of determining any liability under the Securities Act, each post-effective amendment that contains a form of prospectus shall be deemed to be a new registration statement relating to the securities offered therein, and the offering of such securities at that time shall be deemed to be the initial bona fide offering thereof.

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SIGNATURES

Pursuant to the requirements of the Securities Act of 1933, the registrant has duly caused this registration statement to be signed on its behalf by the undersigned, thereunto duly authorized, in the City of Phoenix, State of Arizona on May 13, 2008.

GRAND CANYON EDUCATION, INC.

By: /s/ Brent D. Richardson
Brent D. Richardson
Chief Executive Officer

Know all men by these presents, that the undersigned directors and officers of the registrant, a Delaware corporation, which is filing a registration statement on Form S-1 with the SEC, Washington, D.C. 20549 under the provisions of the Securities Act of 1933, as amended, hereby constitute and appoint Brent Richardson and Chris Richardson, and each of them, the individual's true and lawful attorney-in-fact and agents, with full power of substitution and resubstitution, for the person and in his or her name, place and stead, in any and all capacities, to sign such registration statement and any or all amendments, including post-effective amendments to the registration statement, including a prospectus or an amended prospectus therein and any registration statement for the same offering that is to be effective upon filing pursuant to Rule 462(b) under the Securities Act, and all other documents in connection therewith to be filed with the SEC, granting unto said attorneys-in-fact and agents, and each of them full power and authority to do and perform each and every act and thing requisite and necessary to be done in and about the premises, as fully to all intents and purposes as he might or could do in person, hereby ratifying and confirming all that said attorneys-in-fact as agents or any of them, or their substitute or substitutes, may lawfully do or cause to be done by virtue hereof.

Pursuant to the requirements of the Securities Act, this registration statement and the Power of Attorney has been signed by the following persons in the capacities and on the dates indicated.

Signature	Title	Date
/s/ Brent D. Richardson Brent D. Richardson	Chief Executive Officer and Director (Principal Executive Officer)	May 13, 2008
/s/ Timothy R. Fischer Timothy R. Fischer	Chief Financial Officer (Principal Financial and Principal Accounting Officer)	May 13, 2008
/s/ Christopher C. Richardson Christopher C. Richardson	General Counsel and Director	May 13, 2008
/s/ D. Mark Dorman D. Mark Dorman	Director	May 13, 2008
/s/ Chad N. Heath Chad N. Heath	Director	May 13, 2008

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Significant Education, LLC is the predecessor to Significant Education, Inc., which is the former name of Grand Canyon Education, Inc.

*   To be filed by amendment.

†   Indicates a management contract or any compensatory plan, contract or arrangement.

SENIOR MANAGEMENT AGREEMENT

This Senior Management Agreement ("Agreement") is entered into August 24, 2005, between Significant Education, Inc., a Delaware corporation (the "Company"), and Brent Richardson ("Executive"). Terms used in this Agreement and not otherwise defined shall have the meanings set forth in Article 4 of this Agreement.

WHEREAS, the Company and Executive desire to enter into an agreement to provide for the terms and conditions of Executive's at will employment with the Company; and

WHEREAS, the success of the business of the Company is dependent on the goodwill established by Executive and the Company's directors, executive officers and employees with the Company's customers and the public generally.

NOW, THEREFORE, in consideration of the foregoing and for other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the Company and Executive hereby agree as follows:

ARTICLE 1

EMPLOYMENT

1.1 Employment. The Company hereby engages Executive to serve as Chief Executive Officer of the Company, and Executive agrees to serve the Company as such at the direction of the Board of Directors ("Board"), for the period beginning on the date hereof and until Separation, in the capacities, and subject to the terms and conditions, set forth in this Agreement (such period to be referred to as the "Service Term"). The Company and Executive agree that this Agreement supersedes any employment agreement previously existing between Executive and Company or any of its predecessors (including Significant Education, LLC), and such employment agreement(s) shall be deemed to terminate as of the date of this Agreement.

1.2 Services. During the Service Term, Executive shall have all of the duties and responsibilities customarily rendered by senior management of companies of similar size and nature, with similar title and responsibility and as are provided in the Company's Bylaws and/or may be delegated from time to time by the Board; *provided, however*, the following actions of the Company must be approved in advance by the Board:

(a) Acquisitions or dispositions of the assets or Capital Stock of any entity (other than inventory or transactions entered into in the ordinary course of business);

(b) Agreements to borrow money on behalf of the Corporation;

(c) Senior management agreements or employment agreements (other than standard confidentiality and noncompetition agreements with employees), including any amendments thereof;

(d) Appointment, separation and remuneration of senior management;

(e) Bonus or other incentive plans for senior management or other employees;

(f) Increase the compensation of any of the Company's employees in excess of that compensation customarily paid to employees in companies of similar size, or similar maturity, and in a similar business;

(g) Make, enter into or amend any joint venture agreement or contract, agreement or arrangement with any consultant providing for gross compensation in excess of $50,000 over the term of the agreement;

(h) Issuances of Capital Stock, stock options, warrants or other securities or plans or agreements relating to the same;

(i) The establishment of annual corporate objectives;

(j) The establishment of annual operating and capital expenditure budgets;

(k) Enter into any agreement or arrangement with any governmental authority;

(l) Dividends, distributions and redemptions of Capital Stock; and

(m) All actions involving statutory corporate matters, including but not limited to, amendments to the Company's Certificate of Incorporation or Bylaws or qualifying to do business in other jurisdictions.

Executive will devote substantially all of his business time and attention (except for vacation periods and periods of illness or other incapacity) to the business of the Company. Notwithstanding the foregoing, and provided that such activities do not unreasonably interfere with the fulfillment of Executive's obligations hereunder, Executive may serve as a director or trustee of any charitable or non-profit entity with the consent of the Board, acquire investment interests in one or more entities which are not, directly or indirectly, in competition with the Company or are customers or suppliers of the Company, or own up to 5% of the outstanding voting securities of any publicly-held company. Executive will perform his services for the Company at the Company's principal place of business in Phoenix, Arizona ("Current Location") or any other location mutually agreed by Executive and the Company. Executive will travel to such other locations as may be reasonably necessary in order to discharge his duties hereunder. In the event that the Company proposes a location for Executive to perform services hereunder that is more than fifty (50) miles from the Current Location and Executive agrees to relocate, the Company will reimburse Executive for all reasonable relocation expenses incurred by Executive, including but not limited to moving expenses and real estate brokerage commissions. In all other events, relocation expenses shall be borne by Executive, *provided, however*, that Executive will be provided with all applicable moving and relocation benefits in accordance with the Company's policies in existence at the time of the relocations.

1.3 Salary, Bonus and Benefits. During the Service Term, the Company will pay Executive a base salary (the "Annual Base Salary") as the Board may designate from time to time, at the rate of not less than Two Hundred Fifty Thousand Dollars ($250,000) per annum. The Annual Base Salary shall be subject to review annually by the Board; *provided, however*, that the Annual Base Salary shall not be reduced during the Service Term. Executive will be eligible to receive performance bonuses as determined by the Board based upon the Company's achievement of performance, budgetary and other objectives set by the Board. In addition, during the Service Term, Executive will be entitled to the insurance, vacation, holidays and other benefits consistent with the Company's past practice for its employees generally and as approved by the Board.

1.4 Separation.

(a) Events of Separation. Executive's employment with the Company shall cease upon:

(i) Executive's death.

(ii) Executive's disability, which means his incapacity due to physical or mental illness or condition such that he is unable to perform his previously assigned duties where (1) such incapacity has been determined to exist by either (x) the Company's disability insurance carrier or (y) by the concurring opinions of two licensed physicians (one selected by the Company and one by Executive), and (2) the Board has determined, based on competent medical advice, that such incapacity will continue for such period of time of at least three (3) continuous months and that it would have a material adverse effect on the Company; provided, however, that in the event Executive is insured pursuant to any disability insurance coverage maintained or paid for by the Company, any such Separation shall occur only upon eligibility of Executive to receive payment of such disability insurance benefits, subject to compliance with the terms and requirements of such disability insurance. Any such Separation for disability shall be only as expressly permitted by the Americans with Disabilities Act.

(iii) Separation by the Company upon the Board's determination, in its good faith judgment, that such separation is in the best interests of the Company. Such Separation will require delivery to Executive of a written notice from the Board that Executive has been terminated ("Notice of Separation") with or without Cause.

(iv) Executive's voluntary resignation by the delivery to the Board of a written notice from Executive that Executive has resigned with or without Good Reason.

(b) Rights on Separation.

(i) In the event that Separation is by Executive with Good Reason or a termination by the Company without Cause, the Company will continue to pay to Executive a monthly portion of the Annual Base Salary for a period equal to twelve (12) months commencing on the date of Separation.

(ii) If the Company terminates Executive's employment for Cause, if Executive dies or is disabled, if Executive resigns without Good Reason or in the event of a Sale of the Company (as defined in the Stockholders Agreement), the Company's obligations to pay any compensation or benefits under this Agreement will cease effective the date of Separation. Executive's right to receive any other benefits will be determined under the provisions of applicable plans, programs or other coverages.

Notwithstanding the foregoing, the Company's obligation to Executive for severance pay or other rights under either subparagraphs (i) or (ii) above (the "Severance Pay") shall cease if Executive is in violation of the provisions of Articles 2 or 3 hereof. The Severance Pay, if any, shall be paid by the Company to Executive in equal installments payable commencing on the Company's regularly scheduled payroll date next following the date of Executive's Separation. Until such time as Executive has received all of his Severance Pay, he will be entitled to continue to receive the benefits to which he is entitled or is participating in accordance with the provisions of Section 1.3 of this Agreement.

ARTICLE 2

CONFIDENTIAL INFORMATION

Executive acknowledges that the information, observations and data obtained by him as an employee and owner of the Company, or during the course of his performance under this Agreement, concerning the business and affairs of the Company and its Affiliates or acquisition opportunities in or reasonably related to the Company's business or industry ("Confidential Information") are the confidential and proprietary trade secrets and other property of the Company. Therefore, except as may be required by the lawful order of a court or agency of competent jurisdiction, Executive agrees that he will not disclose to any unauthorized Person or use for his own account any Confidential Information without the Board's written consent unless and to the extent that the aforementioned matters become generally known to and available for use by the public other than as a result of Executive's acts or omissions. Executive agrees to deliver to the Company on the date of Separation, or at any other time the Company may request in writing after the date of Separation, all memoranda, notes, plans, records, reports and other documents (and copies thereof) relating to the business of the Company and its Affiliates, or their acquisition prospects which he may then possess or have under his control.

ARTICLE 3

NONCOMPETITION, NONSOLICITATION AND NON-DISPARAGEMENT

3.1 Noncompetition and Nonsolicitation. Executive acknowledges that in the course of his employment with the Company he will serve as a member of the Company's senior management and will become familiar with the Company's trade secrets and with other Confidential Information and that his services will be of special, unique and extraordinary value to the Company. Therefore, Executive agrees that, during the Service Term, and during the twenty-four (24) month period following the Service Term (collectively, the "Non-compete

Period"), he shall not directly or indirectly (A) own (except ownership of less than 5% of any class of securities which are listed for trading on any securities which are listed for trading on any securities exchange or which are traded in the over-the-counter market), manage, control, participate in, consult with, render services for, or in any manner engage in the operation of a regionally accredited higher education institution or any business in which Executive had significant involvement in the Company's or any of its predecessors' business prior to Executive's Separation; (B) solicit funds on behalf of, or for the benefit of, any regionally accredited higher education institution other than the Company or any other entity that competes with the Company; (C) solicit individuals who are current or prospective students of the Company to be students for any other regionally accredited higher education institution; (D) induce or attempt to induce any employee of the Company to leave the employ of the Company, or in any way interfere with the relationship between the Company and any employee thereof, or (E) induce or attempt to induce any student, customer, supplier, licensee or other business relation of the Company to cease doing business with, or modify its business relationship with, the Company, or in any way interfere with or hinder the relationship between any such student, customer, supplier, licensee or business relation and the Company.

3.2 Non-Disparagement. Following Separation, Executive agrees not to make to any Person, including but not limited to customers of the Company, any statement that disparages the Company or which reflects negatively upon the Company or the Investors, including but not limited to statements regarding the Company's financial condition, its officers, directors, stockholders, employees and affiliates.

3.3 Enforcement. If, at the time of enforcement of Articles 2 or 3 of this Agreement, a court holds that the restrictions stated herein are unreasonable under circumstances then existing, the parties hereto agree that the maximum duration, scope or geographical area reasonable under such circumstances shall be substituted for the stated period, scope or area and that the court shall be allowed to revise the restrictions contained herein to cover the maximum duration, scope and area permitted by law. Because Executive's services are unique and because Executive has access to Confidential Information, the parties hereto agree that money damages would be an inadequate remedy for any breach of this Agreement. Therefore, in the event a breach or threatened breach of this Agreement, the Company or its successors or assigns may, in addition to other rights and remedies existing in their favor, apply to any court of competent jurisdiction for specific performance and/or injunctive or other relief in order to enforce, or prevent any violations of, the provisions hereof (without posting a bond or other security).

ARTICLE 4

DEFINITIONS

"**Affiliate**" means any other person, entity or investment fund controlling, controlled by or under common control with the Company, including without limitation, any of its Subsidiaries.

"**Capital Stock**" shall mean all shares of all classes of the Company's capital stock, including, without limitation, the Company's preferred stock and common stock.

"**Cause**" shall mean:

(1) Executive's (i) commission of a felony or a crime involving moral turpitude, or the commission of any other willful act or omission involving dishonesty or fraud with respect to the Company or any of its customers or suppliers, or (ii) misappropriation of any funds or assets of the Company for personal use, or (iii) engaging in any conduct bringing the Company into substantial public disgrace or disrepute;

(2) Executive's (i) continued and repeated neglect of his duties in breach of this Agreement following notice of such breach and a failure to cure such breach following a reasonable opportunity to cure, (ii) gross misconduct in the performance of his duties hereunder, or (iii) his material and repeated failure to perform his duties in breach of this Agreement as directed by the Board following notice of such breach and failure to cure such breach following a reasonable opportunity to cure; or

(3) Executives engaging in conduct constituting cause for Separation under applicable law; or

(4) Executive's engaging in conduct constituting a breach of Article 2 or 3 of this Agreement.

"**Good Reason**" shall mean Executive's resignation from employment with the Company within thirty (30) days after the occurrence of any one of the following:

(1) The failure of the Company to pay an amount owing to Executive hereunder after Executive has provided the Company with written notice of such failure and such payment has not thereafter been made within fifteen (15) days of the delivery of such written notice;

(2) The assignment to Executive by the Company of duties materially inconsistent with Executive's title or duties from those set forth in this Agreement or the failure to elect or reelect Executive to such position, except in the event of a termination for Cause, death, disability or by Executive other than for Good Reason; or

(3) The Company's requirement that Executive perform services under this Agreement at a location that is more than fifty (50) miles from the Current Location, and Executive's failure to do so.

"**Investors**" means Endeavour Capital Fund IV, L.P., Endeavour Associates Fund IV, L.P., Endeavour Capital Parallel Fund IV, L.P. and 220 GCU, L.P.

"**Person**" means an individual, a partnership, a limited liability company, a corporation, an association, a joint stock company, an investment fund, a trust, a joint venture, an unincorporated organization and a governmental entity or any department, agency or political subdivision thereof.

"**Stockholders Agreement**" means the Stockholders Agreement dated as of the date hereof among the Company, Significant Education Holding, LLC, and the Investors, as amended or restated from time to time.

ARTICLE 5

NOTICES

Any notice provided for in this Agreement must be in writing and must be either personally delivered, mailed by first class United States mail (postage prepaid) or sent by reputable overnight courier service (charges prepaid) or by facsimile to the recipient at the address below indicated:

If to the Company:

Significant Education, Inc.
3300 West Camelback Road
Phoenix, Arizona 85017
Telephone: (602) 589-2755
Facsimile: (602) 589-2458

with a copy to each of:

Endeavour Capital IV, LLC
920 SW Sixth Ave
Suite 1400
Portland, OR 97204
Attention: D. Mark Dorman and Chad N. Heath
Telephone: (503) 223-2721
Facsimile: (503) 223-1384

Davis Graham & Stubbs LLP
1550 Seventeenth Street, Suite 500
Denver, Colorado 80202-1500
Attention: Ronald R. Levine, II
Telephone: 303-892-9400
Facsimile: 303-893-1379

If to Executive:

Brent Richardson
6645 E. Exeter
Scottsdale, Arizona 85251
Telephone: 480-946-9128

or such other address or to the attention of such other person as the recipient party shall have specified by prior written notice to the sending party.

ARTICLE 6

GENERAL PROVISIONS

6.1 Expenses. The Company shall reimburse Executive for all reasonable business, promotional, travel and entertainment expenses incurred or paid by him during the Service Term and the performance of his services under this Agreement, provided that Executive furnishes to the Company in a timely fashion appropriate documentation required by the Internal Revenue Code in connection with such expenses and shall furnish such other reasonable documentation and accounting as the Company, from time to time, may reasonably request.

6.2 Complete Agreement. This Agreement, those documents expressly referred to herein and other documents of even date herewith embody the complete agreement and understanding among the parties and supersede and preempt any prior understandings, agreements or representations by or among the parties, written or oral, which may have related to the subject matter hereof in any way.

6.3 Counterparts. This Agreement may be executed in separate counterparts, each of which is deemed to be an original and all of which taken together constitute one and the same agreement.

6.4 Severability. Whenever possible, each provision of this Agreement will be interpreted in such manner as to be effective and valid under applicable law, but if any provision of this Agreement is held to be invalid, illegal or unenforceable in any respect under any applicable law or rule in any jurisdiction, such invalidity, illegality or unenforceability will not affect any other provision or any other jurisdiction, but this Agreement will be reformed, construed and enforced in such jurisdiction as if such invalid, illegal or unenforceable provision had never been contained herein.

6.5 Successors and Assigns. This Agreement is intended to bind and inure to the benefit of and be enforceable by the Company, and its successors and assigns. Executive may not assign any of its rights or obligations under this Agreement.

6.6 Choice of Law. The construction, validity and interpretation of this Agreement and the exhibit hereto will be governed by and construed in accordance with the internal laws of the State of Arizona, without giving effect to any choice of law or conflict of law provision or rule (whether of the State of Arizona or any other jurisdiction) that would cause the application of the laws of any jurisdiction other than the State of Arizona.

6.7 Remedies. Each of the parties to this Agreement will be entitled to enforce its rights under this Agreement specifically, to recover damages and costs (including attorney's fees) caused by any breach of any provision of this Agreement and to exercise all other rights existing in its favor. The parties hereto agree and acknowledge that money damages may not be an adequate remedy for any breach of the provisions of this Agreement and that any party may in its sole discretion apply to any court of law or equity of competent jurisdiction (without posting any bond or deposit) for specific performance and/or other injunctive relief in order to enforce or prevent any violations of the provisions of this Agreement.

6.8 **Amendment and Waiver.** The provisions of this Agreement may be amended and waived only with the prior written consent of the Company and Executive.

6.9 **Business Days.** If any time period for giving notice or taking action hereunder expires on a day which is a Saturday, Sunday or holiday in the state in which the Company's chief executive office is located, the time period shall be automatically extended to the business day immediately following such Saturday, Sunday or holiday.

6.10 **Termination.** All of the provisions of this Agreement shall terminate after the expiration of the Service Term or upon the Separation of Executive's employment with the Company, except Article 2 and Section 3.2 shall survive indefinitely, and Section 3.1 shall terminate upon expiration of the Non-compete Period.

[THIS SPACE INTENTIONALLY LEFT BLANK]

IN WITNESS WHEREOF, the parties hereto have executed this Senior Management Agreement on the date first written above.

SIGNIFICANT EDUCATION, INC.,
a Delaware corporation

By: /s/ Christopher Richardson
Name: Christopher Richardson
Title: Managing Director and Secretary

EXECUTIVE:

/s/ Brent Richardson
Brent Richardson

SENIOR MANAGEMENT AGREEMENT

This Senior Management Agreement ("Agreement") is entered into August 24, 2005, between Significant Education, Inc., a Delaware corporation (the "Company"), and Christopher Richardson ("Executive"). Terms used in this Agreement and not otherwise defined shall have the meanings set forth in Article 4 of this Agreement.

WHEREAS, the Company and Executive desire to enter into an agreement to provide for the terms and conditions of Executive's at will employment with the Company; and

WHEREAS, the success of the business of the Company is dependent on the goodwill established by Executive and the Company's directors, executive officers and employees with the Company's customers and the public generally.

NOW, THEREFORE, in consideration of the foregoing and for other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the Company and Executive hereby agree as follows:

ARTICLE 1

EMPLOYMENT

1.1 Employment. The Company hereby engages Executive to serve as Managing Director of the Company, and Executive agrees to serve the Company as such at the direction of the Board of Directors ("Board"), for the period beginning on the date hereof and until Separation, in the capacities, and subject to the terms and conditions, set forth in this Agreement (such period to be referred to as the "Service Term"). The Company and Executive agree that this Agreement supersedes any employment agreement previously existing between Executive and Company or any of its predecessors (including Significant Education, LLC), and such employment agreement(s) shall be deemed to terminate as of the date of this Agreement.

1.2 Services. During the Service Term, Executive shall have all of the duties and responsibilities customarily rendered by senior management of companies of similar size and nature, with similar title and responsibility and as are provided in the Company's Bylaws and/or may be delegated from time to time by the President, Chief Executive Officer or the Board; *provided*, *however*, the following actions of the Company must be approved in advance by the Board:

(a) Acquisitions or dispositions of the assets or Capital Stock of any entity (other than inventory or transactions entered into in the ordinary course of business);

(b) Agreements to borrow money on behalf of the Corporation;

(c) Senior management agreements or employment agreements (other than standard confidentiality and noncompetition agreements with employees), including any amendments thereof;

(d) Appointment, separation and remuneration of senior management;

(e) Bonus or other incentive plans for senior management or other employees;

(f) Increase the compensation of any of the Company's employees in excess of that compensation customarily paid to employees in companies of similar size, or similar maturity, and in a similar business;

(g) Make, enter into or amend any joint venture agreement or contract, agreement or arrangement with any consultant providing for gross compensation in excess of $50,000 over the term of the agreement;

(h) Issuances of Capital Stock, stock options, warrants or other securities or plans or agreements relating to the same;

(i) The establishment of annual corporate objectives;

(j) The establishment of annual operating and capital expenditure budgets;

(k) Enter into any agreement or arrangement with any governmental authority;

(l) Dividends, distributions and redemptions of Capital Stock; and

(m) All actions involving statutory corporate matters, including but not limited to, amendments to the Company's Certificate of Incorporation or Bylaws or qualifying to do business in other jurisdictions.

Executive will devote substantially all of his business time and attention (except for vacation periods and periods of illness or other incapacity) to the business of the Company. Notwithstanding the foregoing, and provided that such activities do not unreasonably interfere with the fulfillment of Executive's obligations hereunder, Executive may serve as a director or trustee of any charitable or non-profit entity with the consent of the Board, acquire investment interests in one or more entities which are not, directly or indirectly, in competition with the Company or are customers or suppliers of the Company, or own up to 5% of the outstanding voting securities of any publicly-held company. Executive will perform his services for the Company at the Company's principal place of business in Phoenix, Arizona ("Current Location") or any other location mutually agreed by Executive and the Company. Executive will travel to such other locations as may be reasonably necessary in order to discharge his duties hereunder. In the event that the Company proposes a location for Executive to perform services hereunder that is more than fifty (50) miles from the Current Location and Executive agrees to relocate, the Company will reimburse Executive for all reasonable relocation expenses incurred by Executive, including but not limited to moving expenses and real estate brokerage commissions. In all other events, relocation expenses shall be borne by Executive, *provided, however*, that Executive will be provided with all applicable moving and relocation benefits in accordance with the Company's policies in existence at the time of the relocations.

1.3 Salary, Bonus and Benefits. During the Service Term, the Company will pay Executive a base salary (the "Annual Base Salary") as the Board may designate from time to time, at the rate of not less than Two Hundred Fifty Thousand Dollars ($250,000) per annum. The Annual Base Salary shall be subject to review annually by the Board; *provided, however*, that the Annual Base Salary shall not be reduced during the Service Term. Executive will be eligible to receive performance bonuses as determined by the Board based upon the Company's achievement of performance, budgetary and other objectives set by the Board. In addition, during the Service Term, Executive will be entitled to the insurance, vacation, holidays and other benefits consistent with the Company's past practice for its employees generally and as approved by the Board.

1.4 Separation.

(a) Events of Separation. Executive's employment with the Company shall cease upon:

(i) Executive's death.

(ii) Executive's disability, which means his incapacity due to physical or mental illness or condition such that he is unable to perform his previously assigned duties where (1) such incapacity has been determined to exist by either (x) the Company's disability insurance carrier or (y) by the concurring opinions of two licensed physicians (one selected by the Company and one by Executive), and (2) the Board has determined, based on competent medical advice, that such incapacity will continue for such period of time of at least three (3) continuous months and that it would have a material adverse effect on the Company; provided, however, that in the event Executive is insured pursuant to any disability insurance coverage maintained or paid for by the Company, any such Separation shall occur only upon eligibility of Executive to receive payment of such disability insurance benefits, subject to compliance with the terms and requirements of such disability insurance. Any such Separation for disability shall be only as expressly permitted by the Americans with Disabilities Act.

(iii) Separation by the Company upon the Board's determination, in its good faith judgment, that such separation is in the best interests of the Company. Such Separation will require delivery to Executive of a written notice from the Board that Executive has been terminated ("Notice of Separation") with or without Cause.

(iv) Executive's voluntary resignation by the delivery to the Board of a written notice from Executive that Executive has resigned with or without Good Reason.

(b) Rights on Separation.

(i) In the event that Separation is by Executive with Good Reason or a termination by the Company without Cause, the Company will continue to pay to Executive a monthly portion of the Annual Base Salary for a period equal to six (6) months commencing on the date of Separation. In addition, the Company shall have the option, by delivering written notice to Executive within thirty (30) days after the date of Separation of Executive's employment in the above-referenced circumstances, to extend the severance period to the first annual anniversary of the date of Separation (the "Extension Severance") during which the Company will continue to pay to Executive a monthly portion of the Annual Base Salary as additional consideration for the Executive's agreement to extend the Service Term for that additional period, and hence extend the time during which the provisions of Article 3 shall apply to him.

(ii) If the Company terminates Executive's employment for Cause, if Executive dies or is disabled, if Executive resigns without Good Reason or in the event of a Sale of the Company (as defined in the Stockholders Agreement), the Company's obligations to pay any compensation or benefits under this Agreement will cease effective the date of Separation. Executive's right to receive any other benefits will be determined under the provisions of applicable plans, programs or other coverages.

Notwithstanding the foregoing, the Company's obligation to Executive for severance pay or other rights under either subparagraphs (i) or (ii) above (the "Severance Pay") shall cease if Executive is in violation of the provisions of Articles 2 or 3 hereof. The Severance Pay, if any, shall be paid by the Company to Executive in equal installments payable commencing on the Company's regularly scheduled payroll date next following the date of Executive's Separation. Until such time as Executive has received all of his Severance Pay, he will be entitled to continue to receive the benefits to which he is entitled or is participating in accordance with the provisions of Section 1.3 of this Agreement.

ARTICLE 2

CONFIDENTIAL INFORMATION

Executive acknowledges that the information, observations and data obtained by him as an employee and owner of the Company, or during the course of his performance under this Agreement, concerning the business and affairs of the Company and its Affiliates or acquisition opportunities in or reasonably related to the Company's business or industry ("Confidential Information") are the confidential and proprietary trade secrets and other property of the Company. Therefore, except as may be required by the lawful order of a court or agency of competent jurisdiction, Executive agrees that he will not disclose to any unauthorized Person or use for his own account any Confidential Information without the Board's written consent unless and to the extent that the aforementioned matters become generally known to and available for use by the public other than as a result of Executive's acts or omissions. Executive agrees to deliver to the Company on the date of Separation, or at any other time the Company may request in writing after the date of Separation, all memoranda, notes, plans, records, reports and other documents (and copies thereof) relating to the business of the Company and its Affiliates, or their acquisition prospects which he may then possess or have under his control.

ARTICLE 3

NONCOMPETITION, NONSOLICITATION AND NON-DISPARAGEMENT

3.1 Noncompetition and Nonsolicitation. Executive acknowledges that in the course of his employment with the Company he will serve as a member of the Company's senior management and will become familiar with the Company's trade secrets and with other Confidential Information and that his services will be of special, unique and extraordinary value to the Company. Therefore, Executive agrees that, during the Service Term, and during the twelve (12) month period following the Service Term, or if the Company elects to pay Extension Severance, the twenty-four (24) month period following the Service Term (collectively, the "Non-compete Period"), he shall not directly or indirectly (A) own (except ownership of less than 5% of any class of securities which are listed for trading on any securities which are listed for trading on any securities exchange or which are traded in the over-the-counter market), manage, control, participate in, consult with, render services for, or in any manner engage in the operation of a regionally accredited higher education institution or any business in which Executive had significant involvement in the Company's or any of its predecessors' business prior to Executive's Separation; (B) solicit funds on behalf of, or for the benefit of, any regionally accredited higher education institution other than the Company or any other entity that competes with the Company; (C) solicit individuals who are current or prospective students of the Company to be students for any other regionally accredited higher education institution; (D) induce or attempt to induce any employee of the Company to leave the employ of the Company, or in any way interfere with the relationship between the Company and any employee thereof, or (E) induce or attempt to induce any student, customer, supplier, licensee or other business relation of the Company to cease doing business with, or modify its business relationship with, the Company, or in any way interfere with or hinder the relationship between any such student, customer, supplier, licensee or business relation and the Company.

3.2 Non-Disparagement. Following Separation, Executive agrees not to make to any Person, including but not limited to customers of the Company, any statement that disparages the Company or which reflects negatively upon the Company or the Investors, including but not limited to statements regarding the Company's financial condition, its officers, directors, stockholders, employees and affiliates.

3.3 Enforcement. If, at the time of enforcement of Articles 2 or 3 of this Agreement, a court holds that the restrictions stated herein are unreasonable under circumstances then existing, the parties hereto agree that the maximum duration, scope or geographical area reasonable under such circumstances shall be substituted for the stated period, scope or area and that the court shall be allowed to revise the restrictions contained herein to cover the maximum duration, scope and area permitted by law. Because Executive's services are unique and because Executive has access to Confidential Information, the parties hereto agree that money damages would be an inadequate remedy for any breach of this Agreement. Therefore, in the event a breach or threatened breach of this Agreement, the Company or its successors or assigns may, in addition to other rights and remedies existing in their favor, apply to any court of competent jurisdiction for specific performance and/or injunctive or other relief in order to enforce, or prevent any violations of, the provisions hereof (without posting a bond or other security).

ARTICLE 4

DEFINITIONS

"Affiliate" means any other person, entity or investment fund controlling, controlled by or under common control with the Company, including without limitation, any of its Subsidiaries.

"**Capital Stock**" shall mean all shares of all classes of the Company's capital stock, including, without limitation, the Company's preferred stock and common stock.

"**Cause**" shall mean:

(1) Executive's (i) commission of a felony or a crime involving moral turpitude, or the commission of any other willful act or omission involving dishonesty or fraud with respect to the Company or any of its customers or suppliers, or (ii) misappropriation of any funds or assets of the Company for personal use, or (iii) engaging in any conduct bringing the Company into substantial public disgrace or disrepute;

(2) Executive's (i) continued and repeated neglect of his duties in breach of this Agreement following notice of such breach and a failure to cure such breach following a reasonable opportunity to cure, (ii) gross misconduct in the performance of his duties hereunder, or (iii) his material and repeated failure to perform his duties in breach of this Agreement as directed by the Board following notice of such breach and failure to cure such breach following a reasonable opportunity to cure; or

(3) Executives engaging in conduct constituting cause for Separation under applicable law; or

(4) Executive's engaging in conduct constituting a breach of Article 2 or 3 of this Agreement.

"**Good Reason**" shall mean Executive's resignation from employment with the Company within thirty (30) days after the occurrence of any one of the following:

(1) The failure of the Company to pay an amount owing to Executive hereunder after Executive has provided the Company with written notice of such failure and such payment has not thereafter been made within fifteen (15) days of the delivery of such written notice;

(2) The assignment to Executive by the Company of duties materially inconsistent with Executive's title or duties from those set forth in this Agreement or the failure to elect or reelect Executive to such position, except in the event of a termination for Cause, death, disability or by Executive other than for Good Reason; or

(3) The Company’s requirement that Executive perform services under this Agreement at a location that is more than fifty (50) miles from the Current Location, and Executive’s failure to do so.

“**Investors**” means Endeavour Capital Fund IV, L.P., Endeavour Associates Fund IV, L.P., Endeavour Capital Parallel Fund IV, L.P. and 220 GCU, L.P.

“**Person**” means an individual, a partnership, a limited liability company, a corporation, an association, a joint stock company, an investment fund, a trust, a joint venture, an unincorporated organization and a governmental entity or any department, agency or political subdivision thereof.

“**Stockholders Agreement**” means the Stockholders Agreement dated as of the date hereof among the Company, Significant Education Holding, LLC, [Significant Ventures, LLC, 220 Partners, LLC] and the Investors, as amended or restated from time to time.

ARTICLE 5

NOTICES

Any notice provided for in this Agreement must be in writing and must be either personally delivered, mailed by first class United States mail (postage prepaid) or sent by reputable overnight courier service (charges prepaid) or by facsimile to the recipient at the address below indicated:

If to the Company:

Significant Education, Inc.
3300 West Camelback Road
Phoenix, Arizona 85017
Telephone: (602) 589-2755
Facsimile: (602) 589-2458

with a copy to each of:

Endeavour Capital IV, LLC
920 SW Sixth Ave
Suite 1400
Portland, OR 97204
Attention: D. Mark Dorman and Chad N. Heath
Telephone: (503) 223-2721
Facsimile: (503) 223-1384

Davis Graham & Stubbs LLP
1550 Seventeenth Street, Suite 500
Denver, Colorado 80202-1500
Attention: Ronald R. Levine, II
Telephone: 303-892-9400
Facsimile: 303-893-1379

If to Executive:

Chris Richardson
6030 E. Calle Camelia
Scottsdale, Arizona 85251
Telephone: 480-990-3652

or such other address or to the attention of such other person as the recipient party shall have specified by prior written notice to the sending party.

ARTICLE 6

GENERAL PROVISIONS

6.1 Expenses. The Company shall reimburse Executive for all reasonable business, promotional, travel and entertainment expenses incurred or paid by him during the Service Term and the performance of his services under this Agreement, provided that Executive furnishes to the Company in a timely fashion appropriate documentation required by the Internal Revenue Code in connection with such expenses and shall furnish such other reasonable documentation and accounting as the Company, from time to time, may reasonably request.

6.2 Complete Agreement. This Agreement, those documents expressly referred to herein and other documents of even date herewith embody the complete agreement and understanding among the parties and supersede and preempt any prior understandings, agreements or representations by or among the parties, written or oral, which may have related to the subject matter hereof in any way.

6.3 Counterparts. This Agreement may be executed in separate counterparts, each of which is deemed to be an original and all of which taken together constitute one and the same agreement.

6.4 Severability. Whenever possible, each provision of this Agreement will be interpreted in such manner as to be effective and valid under applicable law, but if any provision of this Agreement is held to be invalid, illegal or unenforceable in any respect under any applicable law or rule in any jurisdiction, such invalidity, illegality or unenforceability will not affect any other provision or any other jurisdiction, but this Agreement will be reformed, construed and enforced in such jurisdiction as if such invalid, illegal or unenforceable provision had never been contained herein.

6.5 Successors and Assigns. This Agreement is intended to bind and inure to the benefit of and be enforceable by the Company, and its successors and assigns. Executive may not assign any of its rights or obligations under this Agreement.

6.6 Choice of Law. The construction, validity and interpretation of this Agreement and the exhibit hereto will be governed by and construed in accordance with the internal laws of the State of Arizona, without giving effect to any choice of law or conflict of law provision or rule (whether of the State of Arizona or any other jurisdiction) that would cause the application of the laws of any jurisdiction other than the State of Arizona.

6.7 Remedies. Each of the parties to this Agreement will be entitled to enforce its rights under this Agreement specifically, to recover damages and costs (including attorney's fees) caused by any breach of any provision of this Agreement and to exercise all other rights existing in its favor. The parties hereto agree and acknowledge that money damages may not be an adequate remedy for any breach of the provisions of this Agreement and that any party may in its sole discretion apply to any court of law or equity of competent jurisdiction (without posting any bond or deposit) for specific performance and/or other injunctive relief in order to enforce or prevent any violations of the provisions of this Agreement.

6.8 Amendment and Waiver. The provisions of this Agreement may be amended and waived only with the prior written consent of the Company and Executive.

6.9 Business Days. If any time period for giving notice or taking action hereunder expires on a day which is a Saturday, Sunday or holiday in the state in which the Company's chief executive office is located, the time period shall be automatically extended to the business day immediately following such Saturday, Sunday or holiday.

6.10 Termination. All of the provisions of this Agreement shall terminate after the expiration of the Service Term or upon the Separation of Executive's employment with the Company, except Article 2 and Section 3.2 shall survive indefinitely, and Section 3.1 shall terminate upon expiration of the Non-compete Period.

[THIS SPACE INTENTIONALLY LEFT BLANK]

IN WITNESS WHEREOF, the parties hereto have executed this Senior Management Agreement on the date first written above.

SIGNIFICANT EDUCATION, INC.,
a Delaware corporation

By: /s/ Brent Richardson
Name: Brent Richardson
Title: Chief Executive Officer

EXECUTIVE:

/s/ Christopher Richardson
Christopher Richardson

SENIOR MANAGEMENT AGREEMENT

This Senior Management Agreement ("Agreement") is entered into August 24, 2005, between Significant Education, Inc., a Delaware corporation (the "Company"), and John Crowley ("Executive"). Terms used in this Agreement and not otherwise defined shall have the meanings set forth in Article 4 of this Agreement.

WHEREAS, the Company and Executive desire to enter into an agreement to provide for the terms and conditions of Executive's at will employment with the Company; and

WHEREAS, the success of the business of the Company is dependent on the goodwill established by Executive and the Company's directors, executive officers and employees with the Company's customers and the public generally.

NOW, THEREFORE, in consideration of the foregoing and for other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the Company and Executive hereby agree as follows:

ARTICLE 1

EMPLOYMENT

1.1 Employment. The Company hereby engages Executive to serve as Chief Operating Officer and Executive Vice President of the Company, and Executive agrees to serve the Company as such at the direction of the Board of Directors ("Board"), for the period beginning on the date hereof and until the later of (a) June 30, 2006 or (b) the Separation, in the capacities, and subject to the terms and conditions, set forth in this Agreement (such period to be referred to as the "Service Term"). The Company and Executive agree that this Agreement supersedes any employment agreement previously existing between Executive and Company or any of its predecessors (including Significant Education, LLC), and such employment agreement(s) shall be deemed to terminate as of the date of this Agreement.

1.2 Services. During the Service Term, Executive shall have all of the duties and responsibilities customarily rendered by senior management of companies of similar size and nature, with similar title and responsibility and as are provided in the Company's Bylaws and/or may be delegated from time to time by the Chief Executive Officer or the Board; *provided*, *however*, the following actions of the Company must be approved in advance by the Board:

(a) Acquisitions or dispositions of the assets or Capital Stock of any entity (other than inventory or transactions entered into in the ordinary course of business);

(b) Agreements to borrow money on behalf of the Corporation;

(c) Senior management agreements or employment agreements (other than standard confidentiality and non-competition agreements with employees), including any amendments thereof;

(d) Appointment, separation and remuneration of senior management;

(e) Bonus or other incentive plans for senior management or other employees;

(f) Increase the compensation of any of the Company's employees in excess of that compensation customarily paid to employees in companies of similar size, or similar maturity, and in a similar business;

(g) Make, enter into or amend any joint venture agreement or contract, agreement or arrangement with any consultant providing for gross compensation in excess of $50,000 over the term of the agreement;

(h) Issuances of Capital Stock, stock options, warrants or other securities or plans or agreements relating to the same;

(i) The establishment of annual corporate objectives;

(j) The establishment of annual operating and capital expenditure budgets;

(k) Enter into any agreement or arrangement with any governmental authority;

(l) Dividends, distributions and redemptions of Capital Stock; and

(m) All actions involving statutory corporate matters, including but not limited to, amendments to the Company's Certificate of Incorporation or Bylaws or qualifying to do business in other jurisdictions.

Executive will devote substantially all of his business time and attention (except for vacation periods and periods of illness or other incapacity) to the business of the Company. Notwithstanding the foregoing, and provided that such activities do not unreasonably interfere with the fulfillment of Executive's obligations hereunder, including the non-compete provisions below, Executive may serve as a director or trustee of any charitable or non-profit entity with the consent of the Board, acquire investment interests in one or more entities which are not, directly or indirectly, in competition with the Company or are customers or suppliers of the Company, own up to 5% of the outstanding voting securities of any publicly-held company, and from time to time, consult with other non-competing businesses (including Crowley Transportation Systems, LLC). Executive will perform his services for the Company at the Company's principal place of business in Phoenix, Arizona ("Current Location") or any other location mutually agreed by Executive and the Company. Executive will travel to such other locations as may be reasonably necessary in order to discharge his duties hereunder. In the event that the Company proposes a location for Executive to perform services hereunder that is more than fifty (50) miles from the Current Location and Executive agrees to relocate, the Company will reimburse Executive for all reasonable relocation expenses incurred by Executive, including but not limited to moving expenses and real estate brokerage commissions. In all other events, relocation expenses shall be borne by Executive, *provided*, *however*, that Executive will be provided with all applicable moving and relocation benefits in accordance with the Company's policies in existence at the time of the relocations.

1.3 Salary, Bonus and Benefits. During the Service Term, the Company will pay Executive a base salary (the "Annual Base Salary") as the Board may designate from time to time, at the rate of not less than $225,000 per annum until December 31, 2005, and $250,000 thereafter. The Annual Base Salary shall be subject to review annually by the Board; *provided, however*, that the Annual Base Salary shall not be reduced during the Service Term. Executive will be eligible to receive performance bonuses as determined by the Board based upon the Company's achievement of performance, budgetary and other objectives set by the Board. In addition, during the Service Term, Executive will be entitled to the insurance, vacation, holidays and other benefits consistent with the Company's past practice for its employees generally and as approved by the Board, but Executive shall be entitled to a minimum of two weeks vacation for calendar year 2005 and four weeks for calendar year 2006. In addition, Executive shall be entitled to the following additional consideration:

(a) $50,000 payable within five (5) business days after the closing of the financing with the Investors;

(b) Up to $100,000, which shall vest monthly in 11 equal amounts of $9,090.91 beginning on August 31, 2005 and shall be payable on the earlier of June 30, 2006 or Executive's date of Separation; provided, that, Executive should be paid only that amount that vests through the date of payment, so that if Executive's Separation occurs prior to June 30, 2006, Executive shall receive only those amounts vested prior to such date of Separation, and if Executive's Separation occurs on or after June 30, 2006, Executive shall receive the full $100,000; and provided, however, that Executive should not be entitled to any payment under this Section 1.3(b) if Executive is terminated for Cause; and

1.4 Separation.

(a) Events of Separation. Executive's employment with the Company shall cease upon:

(i) Executive's death.

(ii) Executive's disability, which means his incapacity due to physical or mental illness or condition such that he is unable to perform his previously assigned duties where (1) such incapacity has been determined to exist by either (x) the Company's disability insurance carrier or (y) by the concurring opinions of two licensed physicians (one selected by the Company and one by Executive), and (2) the Board has determined, based on competent medical advice, that such incapacity will continue for such period of time of at least three (3) continuous months and that it would have a material adverse effect on the Company; provided, however, that in the event Executive is insured pursuant to any disability insurance coverage maintained or paid for by the Company, any such Separation shall occur only upon eligibility of Executive to receive payment of such disability insurance benefits, subject to compliance with the terms and requirements of such disability insurance. Any such Separation for disability shall be only as expressly permitted by the Americans with Disabilities Act.

(iii) Separation by the Company upon the Board's determination, in its good faith judgment, that such separation is in the best interests of the Company. Such Separation will require delivery to Executive of a written notice from the Board that Executive has been terminated ("Notice of Separation") with or without Cause.

(iv) Executive's voluntary resignation by the delivery to the Board of a written notice from Executive that Executive has resigned with or without Good Reason.

(b) Rights on Separation.

(i) In the event that Separation is by Executive with Good Reason or a termination by the Company without Cause, the Company will continue to pay to Executive a monthly portion of the Annual Base Salary for a period equal to six (6) months commencing on the date of Separation. In addition, the Company shall have the option, by delivering written notice to Executive within thirty (30) days after the date of Separation of Executive's employment in the above-referenced circumstances, to extend the severance period to the first annual anniversary of the date of Separation (the "Extension Severance") during which the Company will continue to pay to Executive a monthly portion of the Annual Base Salary as additional consideration for the Executive's agreement to extend the Service Term for that additional period, and hence extend the time during which the provisions of Article 3 shall apply to him.

(ii) If the Company terminates Executive's employment for Cause, if Executive dies or is disabled, if Executive resigns without Good Reason or in the event of a Sale of the Company (as defined in the Stockholders Agreement), the Company's obligations to pay any compensation or benefits under this Agreement will cease effective the date of Separation. Executive's right to receive any other benefits will be determined under the provisions of applicable plans, programs or other coverages.

Notwithstanding the foregoing, the Company's obligation to Executive for severance pay or other rights under either subparagraphs (i) or (ii) above (the "Severance Pay") shall cease if Executive is in violation of the provisions of Articles 2 or 3 hereof. The Severance Pay, if any, shall be paid by the Company to Executive in equal installments payable commencing on the Company's regularly scheduled payroll date next following the date of Executive's Separation. Until such time as Executive has received all of his Severance Pay, he will be entitled to continue to receive the benefits to which he is entitled or is participating in accordance with the provisions of Section 1.3 of this Agreement.

ARTICLE 2

CONFIDENTIAL INFORMATION

Executive acknowledges that the information, observations and data obtained by him as an employee and owner of the Company, or during the course of his performance under this Agreement, concerning the business and affairs of the Company and its Affiliates or acquisition opportunities in or reasonably related to the Company's business or industry ("Confidential Information") are the confidential and proprietary trade secrets and other property of the

Company. Therefore, except as may be required by the lawful order of a court or agency of competent jurisdiction, Executive agrees that he will not disclose to any unauthorized Person or use for his own account any Confidential Information without the Board's written consent unless and to the extent that the aforementioned matters become generally known to and available for use by the public other than as a result of Executive's acts or omissions. Executive agrees to deliver to the Company on the date of Separation, or at any other time the Company may request in writing after the date of Separation, all memoranda, notes, plans, records, reports and other documents (and copies thereof) relating to the business of the Company and its Affiliates, or their acquisition prospects which he may then possess or have under his control.

ARTICLE 3

NONCOMPETITION, NONSOLICITATION AND NON-DISPARAGEMENT

3.1 Noncompetition and Nonsolicitation. Executive acknowledges that in the course of his employment with the Company he will serve as a member of the Company's senior management and will become familiar with the Company's trade secrets and with other Confidential Information and that his services will be of special, unique and extraordinary value to the Company. Therefore, Executive agrees that, during the Service Term, and during the twelve (12) month period following the Service Term, or if the Company elects to pay Extension Severance, the twenty-four (24) month period following the Service Term (collectively, the "Non-compete Period"), he shall not directly or indirectly (A) own (except ownership of less than 5% of any class of securities which are listed for trading on any securities which are listed for trading on any securities exchange or which are traded in the over-the-counter market), manage, control, participate in, consult with, render services for, or in any manner engage in the operation of a regionally accredited higher education institution or any business in which Executive had significant involvement in the Company's or any of its predecessors' business prior to Executive's Separation; (B) solicit funds on behalf of, or for the benefit of, any regionally accredited higher education institution other than the Company or any other entity that competes with the Company; (C) solicit individuals who are current or prospective students of the Company to be students for any other regionally accredited higher education institution; (D) induce or attempt to induce any employee of the Company to leave the employ of the Company, or in any way interfere with the relationship between the Company and any employee thereof, or (E) induce or attempt to induce any student, customer, supplier, licensee or other business relation of the Company to cease doing business with, or modify its business relationship with, the Company, or in any way interfere with or hinder the relationship between any such student, customer, supplier, licensee or business relation and the Company.

3.2 Non-Disparagement. Following Separation, Executive agrees not to make to any Person, including but not limited to customers of the Company, any statement that disparages the Company or which reflects negatively upon the Company or the Investors, including but not limited to statements regarding the Company's financial condition, its officers, directors, stockholders, employees and affiliates.

3.3 Enforcement. If, at the time of enforcement of Articles 2 or 3 of this Agreement, a court holds that the restrictions stated herein are unreasonable under circumstances then existing, the parties hereto agree that the maximum duration, scope or geographical area reasonable under such circumstances shall be substituted for the stated period, scope or area and that the court shall be allowed to revise the restrictions contained herein to cover the maximum duration, scope and area permitted by law. Because Executive's services are unique and because Executive has access to Confidential Information, the parties hereto agree that money damages would be an inadequate remedy for any breach of this Agreement. Therefore, in the event a breach or threatened breach of this Agreement, the Company or its successors or assigns may, in addition to other rights and remedies existing in their favor, apply to any court of competent jurisdiction for specific performance and/or injunctive or other relief in order to enforce, or prevent any violations of, the provisions hereof (without posting a bond or other security).

ARTICLE 4

DEFINITIONS

"**2006 EBITDA**" shall have the meaning set forth in the Purchase Agreement.

"**Affiliate"** means any other person, entity or investment fund controlling, controlled by or under common control with the Company, including without limitation, any of its Subsidiaries.

"**Capital Stock**" shall mean all shares of all classes of the Company's capital stock, including, without limitation, the Company's preferred stock and common stock.

"**Cause**" shall mean:

(1) Executive's (i) commission of a felony or a crime involving moral turpitude, or the commission of any other willful act or omission involving dishonesty or fraud with respect to the Company or any of its customers or suppliers, or (ii) misappropriation of any funds or assets of the Company for personal use, or (iii) engaging in any conduct bringing the Company into substantial public disgrace or disrepute;

(2) Executive's (i) continued and repeated neglect of his duties in breach of this Agreement following notice of such breach and a failure to cure such breach following a reasonable opportunity to cure, (ii) gross misconduct in the performance of his duties hereunder, or (iii) his material and repeated failure to perform his duties in breach of this Agreement as directed by the Board following notice of such breach and failure to cure such breach following a reasonable opportunity to cure; or

(3) Executives engaging in conduct constituting cause for Separation under applicable law; or

(4) Executive's engaging in conduct constituting a breach of Article 2 or 3 of this Agreement.

“**Good Reason**” shall mean Executive’s resignation from employment with the Company within thirty (30) days after the occurrence of any one of the following:

(1) The failure of the Company to pay an amount owing to Executive hereunder after Executive has provided the Company with written notice of such failure and such payment has not thereafter been made within fifteen (15) days of the delivery of such written notice;

(2) The assignment to Executive by the Company of duties materially inconsistent with Executive’s title or duties from those set forth in this Agreement or the failure to elect or reelect Executive to such position, except in the event of a termination for Cause, death, disability or by Executive other than for Good Reason; or

(3) The Company’s requirement that Executive perform services under this Agreement at a location that is more than fifty (50) miles from the Current Location, and Executive’s failure to do so.

“**Investors**” means Endeavour Capital Fund IV, L.P., Endeavour Associates Fund IV, L.P., Endeavour Capital Parallel Fund IV, L.P., and 220 GCU, L.P.

“**Person**” means an individual, a partnership, a limited liability company, a corporation, an association, a joint stock company, an investment fund, a trust, a joint venture, an unincorporated organization and a governmental entity or any department, agency or political subdivision thereof.

“**Purchase Agreement**” means the Series A Stock Purchase Agreement dated as of the date hereof among the Company and the Investors, as amended from time to time.

“**Stockholders Agreement**” means the Stockholders Agreement dated as of the date hereof among the Company, Significant Education Holding, LLC, and the Investors, as amended or restated from time to time.

ARTICLE 5

NOTICES

Any notice provided for in this Agreement must be in writing and must be either personally delivered, mailed by first class United States mail (postage prepaid) or sent by reputable overnight courier service (charges prepaid) or by facsimile to the recipient at the address below indicated:

If to the Company:

Significant Education, Inc.
3300 West Camelback Road
Phoenix, Arizona 85017
Telephone: (602) 589-2755
Facsimile: (602) 589-2458

with a copy to each of:

Endeavour Capital IV, LLC
920 SW Sixth Ave
Suite 1400
Portland, OR 97204
Attention: D. Mark Dorman and Chad N. Heath
Telephone: (503) 223-2721
Facsimile: (503) 223-1384

Davis Graham & Stubbs LLP
1550 Seventeenth Street, Suite 500
Denver, Colorado 80202-1500
Attention: Ronald R. Levine, II
Telephone: 303-892-9400
Facsimile: 303-893-1379

If to Executive:

John Crowley
8154 Via de Viva
Scottsdale, AZ 85258
Attention: John Crowley
Telephone: 413-478-5002
Facsimile: __-__-____

or such other address or to the attention of such other person as the recipient party shall have specified by prior written notice to the sending party.

ARTICLE 6

GENERAL PROVISIONS

6.1 Expenses. The Company shall reimburse Executive for all reasonable business, promotional, travel and entertainment expenses incurred or paid by him during the Service Term and the performance of his services under this Agreement, provided that Executive furnishes to the Company in a timely fashion appropriate documentation required by the Internal Revenue

Code in connection with such expenses and shall furnish such other reasonable documentation and accounting as the Company, from time to time, may reasonably request.

6.2 Complete Agreement. This Agreement, those documents expressly referred to herein and other documents of even date herewith embody the complete agreement and understanding among the parties and supersede and preempt any prior understandings, agreements or representations by or among the parties, written or oral, which may have related to the subject matter hereof in any way.

6.3 Confidential Information. Except as herein provided, this Agreement and all discussions regarding this Agreement, including, but not limited to, the amount of consideration, offers, counteroffers or other terms or conditions of the negotiations or the agreement reached, shall be kept confidential by Executive, the Investors and the Company from all persons and entities other than the parties to this Agreement.

6.4 Counterparts. This Agreement may be executed in separate counterparts, each of which is deemed to be an original and all of which taken together constitute one and the same agreement.

6.5 Severability. Whenever possible, each provision of this Agreement will be interpreted in such manner as to be effective and valid under applicable law, but if any provision of this Agreement is held to be invalid, illegal or unenforceable in any respect under any applicable law or rule in any jurisdiction, such invalidity, illegality or unenforceability will not affect any other provision or any other jurisdiction, but this Agreement will be reformed, construed and enforced in such jurisdiction as if such invalid, illegal or unenforceable provision had never been contained herein.

6.6 Successors and Assigns. This Agreement is intended to bind and inure to the benefit of and be enforceable by the Company, and its successors and assigns. Executive may not assign any of its rights or obligations under this Agreement.

6.7 Choice of Law. The construction, validity and interpretation of this Agreement and the exhibit hereto will be governed by and construed in accordance with the internal laws of the State of Arizona, without giving effect to any choice of law or conflict of law provision or rule (whether of the State of Arizona or any other jurisdiction) that would cause the application of the laws of any jurisdiction other than the State of Arizona.

6.8 Remedies. Each of the parties to this Agreement will be entitled to enforce its rights under this Agreement specifically, to recover damages and costs (including attorney's fees) caused by any breach of any provision of this Agreement and to exercise all other rights existing in its favor. The parties hereto agree and acknowledge that money damages may not be an adequate remedy for any breach of the provisions of this Agreement and that any party may in its sole discretion apply to any court of law or equity of competent jurisdiction (without posting any bond or deposit) for specific performance and/or other injunctive relief in order to enforce or prevent any violations of the provisions of this Agreement.

6.9 Amendment and Waiver. The provisions of this Agreement may be amended and waived only with the prior written consent of the Company and Executive.

6.10 **Business Days.** If any time period for giving notice or taking action hereunder expires on a day which is a Saturday, Sunday or holiday in the state in which the Company's chief executive office is located, the time period shall be automatically extended to the business day immediately following such Saturday, Sunday or holiday.

6.11 **Termination.** All of the provisions of this Agreement shall terminate after the expiration of the Service Term or upon the Separation of Executive's employment with the Company, except Article 2, Section 3.2 and Section 6.3 shall survive indefinitely, and Section 3.1 shall terminate upon expiration of the Non-compete Period.

[THIS SPACE INTENTIONALLY LEFT BLANK]

IN WITNESS WHEREOF, the parties hereto have executed this Agreement on the date first written above.

SIGNIFICANT EDUCATION, INC.,
a Delaware corporation

By: /s/ Brent Richardson
Name: Brent Richardson
Title: Chief Executive Officer

EXECUTIVE:

/s/ John Crowley
John Crowley

AMENDMENT TO SENIOR MANAGEMENT AGREEMENT
BETWEEN
SIGNIFICANT EDUCATION, INC
AND
JOHN CROWLEY

This Amendment to the Senior Management Agreement (the “Agreement”) between Significant Education, Inc., D/B/A/ Grand Canyon University (“GCU”), on the one hand, and John Crowley (the “Employee”), on the other hand dated August 2005, is made and entered into this 28th day of June 2006.

WHEREAS, Employee and GCU entered into an agreement of Employment in August 2005;

WHEREAS, as part of his Employment Employee is entitled to a bonus of $100,000 on June 30, 2006;

WHEREAS, Employee did not receive an increase in his annual pay in January 2006 per the terms of his Agreement and is owed $12,500 in back pay as of June 30, 2006;

WHEREAS, Employee wishes to assign his interest in the bonus and his back pay to Youth In Motion, Inc., and have GCU pay such sums to Youth in Motion in lieu of payments to himself;

NOW, THEREFORE, in consideration of the mutual covenants, conditions and promises contained herein, and other good and valuable consideration, the receipt and adequacy of which are hereby acknowledged, the Parties agree to amend the Agreement as follows:

1. Steps Following Execution. As soon as practicable following the execution of this Amendment by the Parties, but in all events on or before midnight on July 3, 2006, GCU shall pay the sum of $112,500.00 in the form of a check made payable to Youth In Motion, Inc.

2. Release & Waiver. Employee expressly agrees to waive any and all rights, claims, or interests in and/or relating directly or indirectly to the payments due to him under the Agreement. Further, Employee, his past, present and future successors, assigns, and agents, and all persons acting by, through, under or in concert with him, do hereby irrevocably and unconditionally release, waive and forever discharge GCU, as well as its past, present and future parents, subsidiaries, affiliates, divisions, predecessors, successors, assigns, partners, officers, directors, stockholders, employees, insurers, agents, representatives, and attorneys, and all persons acting by, through, under or in concert with them, or any of them, from any and all actions, causes of action, suits, claims, debts, obligations, demands, liabilities, rights, damages, losses, costs, expenses (including, but not limited to, attorneys’ fees and costs actually incurred) of any nature whatsoever, known or unknown, suspected or unsuspected, fixed or contingent, legal or equitable, arising under state, federal or any other law (“Claim” or “Claims”) which they now have, own or hold or claim to have, own or hold, or at any time heretofore had, owned or held, or claimed to have had, owned or held, or may hereinafter have, own or hold, or claim to have, own or hold against GCU, its past, present and future parents, subsidiaries, affiliates, divisions, predecessors, successors, assigns, partners, officers, directors, stockholders, employees, insurers, agents, representatives, and attorneys, and all persons acting by, through, under or in concert with them, or any of them, arising out of, based upon, or relating to any and all payments, including bonus payments and back pay, due and owing under his Agreement as of June 30, 2006

3. Full and Independent Knowledge. Each of the Parties represents that it has been represented by an attorney in connection with the preparation and review of this Amendment; that he, she or it has specifically discussed, or had the opportunity to specifically discuss, with an attorney the meaning and effect of Amendment; and that he, she or it has carefully read and understands the scope and effect of each provision contained herein.

4. Warranties. Each of the Parties represents and warrants that he, she or it has full power and authority to enter into and perform this Amendment. Each of the Parties further represents and warrants that he, she or it has not heretofore assigned, transferred, encumbered or otherwise conveyed, or purported to assign, transfer, encumber or otherwise convey, in whole of in part, to any person or entity, any Claims released hereunder.

5. Successors. This Amendment shall be binding upon and inure to the benefit of the executors, administrators, successors, heirs and assigns of each of the Parties hereto.

6. Further Assurances. Each of the Parties, without further consideration, agrees to execute and deliver such other documents and take such other action as may be reasonably necessary to consummate more effectively the subject matter hereof.

7.Miscellaneous.

(a) This Amendment shall include its preamble and recitals.

(b) This Amendment shall be construed in accordance with and governed by the laws of the State of Arizona without regard to conflict of laws provisions.

(c) The Parties agree that Amendment may be executed in counterparts and that a copy signed by a Party will be fully enforceable against such Party.

(d) This Amendment and the Agreement contain the entire agreement between the Parties hereto with respect to the subject matter hereof. The Parties acknowledge that no other understandings, statements, promises, or inducements contrary to the terms of these agreements, whether oral or written, exist; that they do not rely and have not relied on any oral or written understandings, statements, promises, or inducements other than those contained in these agreements; and that they have voluntarily entered into this Amendment and the assignment of payments effectuated thereby. In the event the Amendment contradicts any portion of the Agreement, the terms of this Amendment shall control.

(e) This Amendment has been jointly negotiated by the Parties. It shall be construed as a whole, according to its fair meaning, and shall not be construed strictly for or against any of the Parties hereto.

(f) This Amendment may not be amended, altered, modified or waived, in whole or in part, except in a writing executed by the Parties hereto.

(g) If any provision of this Amendment is held invalid or otherwise unenforceable, the enforceability of the remaining provisions shall not be impaired thereby.

(h) The failure of any Party to insist upon strict adherence to any term of this Amendment on any occasion shall not be considered a waiver thereof or deprive that Party of the right thereafter to insist upon strict adherence to that term or any other term of this Amendment.

IN WITNESS WHEREOF, the Parties have each executed this Amendment as of the date first set forth above.

Employee		Significant Education, Inc.	
/s/ John Crowley	6/30/06	/s/ Brent Richardson	6/30/06
John Crowley	Date	Brent Richardson	Date

LEASE AGREEMENT

THIS LEASE AGREEMENT (this "Lease") is made as of June 28, 2004 (the "Effective Date"), by and between **SPIRIT FINANCE ACQUISITIONS, LLC**, a Delaware limited liability company ("Lessor"), whose address is 8910 East Raintree Drive, Suite 100, Scottsdale, Arizona 85260, and **SIGNIFICANT EDUCATION, LLC**, a Delaware limited liability company ("Lessee"), whose address is 2525 East Arizona Biltmore Circle, #140, Phoenix, Arizona 85016.

In consideration of the mutual covenants and agreements herein contained, Lessor and Lessee hereby covenant and agree as follows:

1. **Certain Defined Terms.** Capitalized terms not defined herein shall have the meanings set forth in Exhibit A hereto.

2. **Lease of Property; Use.** In consideration of the Rentals and other Monetary Obligations to be paid by Lessee and of the other terms, covenants and conditions on Lessee's part to be kept and performed, Lessor hereby leases to Lessee, and Lessee hereby takes and hires, the Property, subject to the Permitted Encumbrances, all Legal Requirements (including any existing violation thereof), and the condition of the Property as of the Effective Date; *provided, however,* that the recital of the Permitted Encumbrances herein shall not be construed as a revival of any Permitted Encumbrance which may have expired or been terminated. During the Lease Term, the Property shall be used solely for the operation of a Permitted Facility, and related purposes such as ingress, egress and parking. Lessee shall at all times during the Lease Term occupy the Property and shall diligently operate its business on the Property. Except as otherwise permitted herein, Lessee shall not, by itself or through any assignment, sublease or other type of transfer, convert all or any portion of the Property to an alternative use during the Lease Term without Lessor's prior written consent.

3. **Lease Term; Extension.** The initial term of this Lease ("Initial Term") shall commence as of the Effective Date and shall expire at midnight on June 30, 2024 ("Expiration Date"), unless terminated sooner as provided in this Lease and as may be extended as provided herein. The time period during which this Lease shall actually be in effect, including any Extension Term, is referred to herein as the "Lease Term." Unless this Lease has expired or has been sooner terminated, or an Event of Default has occurred and is continuing at the time any option is exercised, and provided that all other agreements necessary to the continued operation of Lessee's business at the Property are extended for a period of not less than the applicable extension periods, Lessee shall have the right and option (each, an "Extension Option") to extend the Initial Term for the Property for four (4) additional successive periods of five (5) years each (each, an "Extension Term"), pursuant to the terms and conditions of this Lease then in effect. Lessee may only exercise the Extension Options by giving written notice thereof to Lessor of its election to do so first, no later than one hundred twenty (120) days prior to the Expiration Date and one hundred twenty (120) days prior to the immediately preceding Extension Term, as the case may be. If written notice of the exercise of any Extension Option is not received by Lessor by the applicable dates described above, then this Lease shall terminate on the last day of the Initial Term or, if applicable, the last day of the Extension Term then in effect. Upon the request of Lessor or Lessee, the parties hereto will, at the expense of Lessee, execute and exchange an

instrument in recordable form setting forth the extension of the Lease Term in accordance with this Section 3.

4. **Rental and Other Monetary Obligations.**

A. *Base Monthly Rental*. During the Initial Term, on or before the first day of each calendar month, Lessee shall pay in advance the Base Monthly Rental; *provided, however*, if the Effective Date is a date other than the first day of the month, Lessee shall pay to Lessor (or any other party designated by Lessor) on the Effective Date the Base Monthly Rental prorated by multiplying the Base Monthly Rental by a fraction, the numerator of which is the number of days remaining in the month (including the Effective Date) for which Rentals are being paid, and the denominator of which is the total number of days in such month. During the Extension Terms, if any, Lessee shall pay the Rentals (including the Base Monthly Rental) in the manner set forth in this Section 4. Unless otherwise specifically stated to the contrary herein, Lessee shall perform all its obligations under this Lease at its sole cost and expense and shall pay all Rental and any other Monetary Obligation due hereunder when due and payable, without notice or demand.

B. *Scheduled Adjustments*. On the first Adjustment Date and on each Adjustment Date thereafter, the Base Annual Rental shall increase by an amount equal to the Rent Adjustment. The "Rent Adjustment" shall be an amount equal to five percent (5%) of the Base Annual Rental in effect immediately prior to the applicable Adjustment Date.

C. *Additional Adjustments*. In addition to the scheduled adjustments of Base Annual Rental under Section 4.B above, Base Annual Rental shall be adjusted in accordance with the terms and provisions of Section 44 below.

D. *Additional Rental*. Lessee shall pay and discharge, as additional rental ("Additional Rental"), all sums of money required to be paid by Lessee under this Lease which are not specifically referred to as Rental. Notwithstanding any provisions in this Lease to the contrary, Additional Rental shall not include (1) compensation paid to any officers, executives or employees of Lessor; (2) costs for which Lessor is reimbursed by insurance, condemnation or otherwise; (3) interest on debt or amortization payments on any mortgage or deed to secure debt and any charges for any costs and expenses incurred in connection with any refinancing of any debt secured by any mortgage on the Property; (4) except as otherwise provided in Section 43.C. below, all professional fees (legal/accounting/consultants) and other Costs and expenses arising out of the sale of any of the Property by Lessor or the financing or refinancing of any loan secured by all or any portion of the Property; (5) Lessor's general corporate overhead and general corporate administrative expenses including any costs related to Lessor's maintenance of an office; (6) late charges and other penalties incurred as a result of Lessor's failure, negligence, inability or unwillingness to make payments to any person or party when due; and (7) any depreciation. Lessee shall pay and discharge any Additional Rental when the same shall become due, provided that amounts which are billed to Lessor or any third party, but not to Lessee, shall be paid within thirty (30) days after Lessor's demand for payment thereof or, if later, when the same are due. In no event shall Lessee be required to pay to Lessor any item of Additional Rental that Lessee is obligated to pay and has paid to any third party pursuant to any provision of this Lease.

E. *Payment of Rental and Other Monetary Obligations*. All Rental and other Monetary Obligations which Lessee is required to pay hereunder shall be the unconditional obligation of Lessee and shall be payable in full when due without any setoff, abatement, deferment, deduction or counterclaim whatsoever. Upon execution of this Lease, Lessee shall establish arrangements whereby payments of the Base Monthly Rental, any Additional Rental, impound payments (if any), sales tax on real property tax (if any), and any other Monetary Obligations are transferred by Automated Clearing House Debit initiated by Lessor from an account established by Lessee at a United States bank or other financial institution to such account as Lessor may designate. Any delinquent payment shall, in addition to any other remedy of Lessor, incur a late charge of five percent (5%) (which late charge is intended to compensate Lessor for the cost of handling and processing such delinquent payment and should not be considered interest) and bear interest at the Default Rate, such interest to be computed from and including the date such payment was due through and including the date of the payment; provided, however, in no event shall Lessee be obligated to pay a sum of late charge and interest higher than the maximum legal rate then in effect.

5. **Representations and Warranties of Lessor.** The representations and warranties of Lessor contained in this Section are being made to induce Lessee to enter into this Lease and Lessee has relied and will continue to rely upon such representations and warranties. Lessor represents and warrants to Lessee as follows:

A. *Organization, Authority and Status of Lessor.* Lessor has been duly organized and is validly existing and in good standing under the laws of the State of Delaware. All necessary corporate action has been taken to authorize the execution, delivery and performance by Lessor of this Lease and of the other documents, instruments and agreements provided for herein. The person who has executed this Lease on behalf of Lessor is duly authorized to do so.

B. *Enforceability.* This Lease constitutes the legal, valid and binding obligation of Lessor, enforceable against Lessor in accordance with its terms.

C. *Litigation.* There are no suits, actions, proceedings or investigations pending, or to the best of its knowledge, threatened against or involving Lessor before any arbitrator or Governmental Authority which might reasonably result in any material adverse change in the contemplated business, condition, worth or operations of Lessor.

D. *Absence of Breaches or Defaults.* Lessor is not in default under any document, instrument or agreement to which Lessor is a party or by which Lessor or any of Lessor’s property is subject or bound. The authorization, execution, delivery and performance of this Lease and the documents, instruments and agreements provided for herein will not result in any breach of or default under any document, instrument or agreement to which Lessor is a party or by which Lessor or any of Lessor’s property is subject or bound.

6. **Representations and Warranties of Lessee.** The representations and warranties of Lessee contained in this Section are being made to induce Lessor to enter into this Lease and Lessor has relied, and will continue to rely, upon such representations and warranties. Lessee represents and warrants to Lessor as follows:

A. *Organization, Authority and Status of Lessee*. Lessee has been duly organized or formed, is validly existing and in good standing under the laws of its State of Delaware and is qualified as a foreign limited liability company to do business in any jurisdiction where such qualification is required, including the State. All necessary limited liability company action has been taken to authorize the execution, delivery and performance by Lessee of this Lease and of the other documents, instruments and agreements provided for herein. Lessee is not a "foreign limited liability company", "foreign corporation", "foreign partnership", "foreign trust" or "foreign estate", as those terms are defined in the Code and the regulations promulgated thereunder. Lessee's United States tax identification number is correctly set forth on the signature page of this Lease. The person who has executed this Lease on behalf of Lessee is duly authorized to do so. The address of Lessee stated in Section 24 is the principal place of business and principal executive office of Lessee, and Lessee will provide Lessor with written notice of any change of location of its principal place of business or principal executive office within ten (10) days thereof.

B. *Enforceability*. This Lease constitutes the legal, valid and binding obligation of Lessee, enforceable against Lessee in accordance with its terms.

C. *Litigation*. Except as described in Schedule 6.C. attached hereto, there are no suits, actions, proceedings or investigations pending, or to its current actual knowledge, threatened against or involving Lessee or the Property before any arbitrator or Governmental Authority which might reasonably result in any material adverse change in the contemplated business, condition, worth or operations of Lessee or the Property.

D. *Absence of Breaches or Defaults*. Except as described in Schedule 6.D. attached hereto, to its current actual knowledge, Lessee is not in default under any document, instrument or agreement to which Lessee is a party or by which Lessee, the Property or any of Lessee's property is subject or bound. The authorization, execution, delivery and performance of this Lease and the documents, instruments and agreements provided for herein will not result in any breach of or default under any document, instrument or agreement to which Lessee is a party or by which Lessee, the Property or any of Lessee's property is subject or bound.

E. *Licenses and Permits*. To its current actual knowledge, Lessee has obtained all required licenses and permits, both governmental and private, to use and operate the Property as a Permitted Facility.

F. *Financial Condition; Information Provided to Lessor*. The financial statements, all financial data and all other documents and information heretofore delivered to Lessor by or with respect to Lessee, Guarantor and/or the Property in connection with this Lease and/or relating to Lessee, Guarantor and/or the Property are true, correct and complete in all material respects, there have been no amendments thereto since the date such items were prepared or delivered to Lessor, and no change has occurred to any such financial statements, financial data, documents and other information not disclosed in writing to Lessor, which would result in a Material Adverse Effect.

G. *Compliance with Anti-Terrorism, Embargo, Sanctions and Anti-Money Laundering Laws*. Lessee, and to Lessee's current actual knowledge, each of the Lessee Entities is not currently identified on the OFAC List, and is not a Person with whom a citizen of the United States is prohibited from engaging in transactions by any trade embargo, economic sanction, or other prohibition of United States law, regulation, or executive order of the President of the United States. The Lessee has implemented procedures, and will consistently apply those procedures throughout the Lease Term, to ensure the foregoing representations and warranties remain true and correct during the Lease Term.

H. *Solvency*. There is no contemplated, pending or threatened Insolvency Event or similar proceedings, whether voluntary or involuntary, affecting Lessee, or to Lessee's current actual knowledge, its shareholders or Affiliates. Lessee does not have unreasonably small capital to conduct its business.

I. *Ownership*. Neither Lessee nor any Affiliate of Lessee that actually or constructively owns ten percent (10%) or more of the outstanding capital stock of Lessor owns, directly or indirectly, (i) ten percent (10%) or more of the total combined voting power of all classes of voting capital stock of Lessee, or (ii) ten percent (10%) or more of the total value of all classes of capital stock of Lessee.

7. **Rentals To Be Net to Lessor.** The Base Annual Rental payable hereunder shall be net to Lessor, so that this Lease shall yield to Lessor the Rentals specified during the Lease Term, and all Costs and obligations of every kind and nature whatsoever relating to the Property shall be performed and paid by Lessee.

8. **Taxes and Assessments.** Lessee shall pay, prior to the earlier of delinquency or the accrual of interest on the unpaid balance, all taxes and assessments of every type or nature assessed against or imposed upon the Property or Lessee during the Lease Term, including without limitation, all taxes or assessments upon the Property or any part thereof and upon any personal property, trade fixtures and improvements located on the Property, whether belonging to Lessor or Lessee, or any tax or charge levied in lieu of such taxes and assessments; all taxes, charges, license fees and or similar fees imposed by reason of the use of the Property by Lessee; and all excise, transaction, privilege, license, sales, use and other taxes upon the Rental or other Monetary Obligations hereunder, the leasehold estate of either party or the activities of either party pursuant to this Lease.

Within thirty (30) days after each tax and assessment payment is required by this Section to be paid, Lessee shall, upon prior written request of Lessor, provide Lessor with evidence reasonably satisfactory to Lessor that such payment was made in a timely fashion. Lessee may, at its own expense, contest or cause to be contested (in the case of any item involving more than $10,000.00, after prior written notice to Lessor), by appropriate legal proceedings conducted in good faith and with due diligence, any above-described item or lien with respect thereto, including, without limitation, the amount or validity or application, in whole or in part, of any such item, provided that (A) neither the Property nor any interest therein would be in any danger of being sold, forfeited or lost by reason of such proceedings, (B) no Event of Default has occurred, and (C) Lessee shall promptly provide Lessor with copies of all notices received or delivered by Lessee and filings made by Lessee in connection with such proceeding.

9. **Utilities.** Lessee shall be responsible for and shall pay, or cause to be paid, all charges or fees related to the connection and use of water, gas, electricity, telephone, garbage collection, sewer use and other utility services supplied to the Property during the Lease Term. Under no circumstances shall Lessor be responsible for the provision of utility services to the Property or for any interruption thereof.

10. **Insurance.** Throughout the Lease Term, Lessee shall maintain, with respect to the Property, at its sole expense, the following types and amounts of insurance (which may be included under a blanket insurance policy if all the other terms hereof are satisfied), in addition to such other insurance as Lessor may reasonably require from time to time:

A. Insurance against loss, damage or destruction by fire and other casualty, including theft, vandalism and malicious mischief, flood (if the Property is in a location designated by the Federal Emergency Management Administration as a Special Flood Hazard Area), earthquake (if the Property is in an area subject to destructive earthquakes within recorded history), boiler explosion (if there is any boiler upon the Property), plate glass breakage, sprinkler damage (if the Property has a sprinkler system), all matters covered by a special coverage endorsement commonly known as an “all-risk” endorsement and such other risks as Lessor may reasonably require, insuring the Property for not less than 100% of its full insurable replacement cost.

B. Comprehensive general liability and property damage insurance, including a products liability clause, covering Lessor and Lessee against bodily injury liability, property damage liability and automobile bodily injury and property damage liability, including without limitation any liability arising out of the ownership, maintenance, repair, condition or operation of the Property or adjoining ways, streets, parking lots or sidewalks. Such insurance policy or policies shall contain a broad form contractual liability endorsement under which the insurer agrees to insure Lessee’s obligations under Section 15 hereof to the extent insurable, and a “severability of interest” clause or endorsement which precludes the insurer from denying the claim of Lessee or Lessor because of the negligence or other acts of the other, shall be in amounts of not less than $1,000,000.00 per injury and occurrence with respect to any insured liability, whether for personal injury or property damage, or such higher limits as Lessor may reasonably require from time to time, and shall be of form and substance satisfactory to Lessor.

C. State Worker’s Compensation insurance in the statutorily mandated limits.

D. Business income insurance or rental interruption insurance, as requested by Lessor, equal to 100% of the Base Annual Rental for a period of not less than six months.

All insurance policies shall:

(i) Provide for a waiver of subrogation by the insurer as to claims against Lessor, its employees and agents, and provide that the insurer shall not deny a claim and that such insurance cannot be unreasonably cancelled, invalidated or suspended on account of the conduct of Lessee, its officers, directors, employees or agents, or anyone acting for Lessee or any subtenant or other occupant of the Property;

(ii) Provide that any “no other insurance” clause in the insurance policy shall exclude any policies of insurance maintained by Lessor and that the insurance policy shall not be brought into contribution with insurance maintained by Lessor;

(iii) Contain a standard without contribution mortgage clause endorsement in favor of any lender designated by Lessor;

(iv) Provide that the policy of insurance shall not be terminated, cancelled or substantially modified without at least thirty (30) days’ prior written notice to Lessor and to any lender covered by any standard mortgage clause endorsement;

(v) Provide that the insurer shall not have the option to restore the Property if Lessor elects to terminate this Lease in accordance with the terms hereof; and

(vi) Be issued by insurance companies licensed to do business in the State and which are rated A:VI or better by Best’s Insurance Guide or are otherwise approved by Lessor.

It is expressly understood and agreed that the foregoing minimum limits of insurance coverage shall not limit the liability of Lessee for its acts or omissions as provided in this Lease. All insurance policies (with the exception of worker’s compensation insurance to the extent not available under statutory law) shall designate Lessor, and its respective successors and assigns, and any mortgagee of Lessor as additional insureds as their interests may appear and shall be payable as set forth in Section 18 hereof. All such policies shall be written as primary policies, with deductibles not to exceed $100,000.00. Lessee shall procure policies for all insurance for periods of not less than one year and shall provide to Lessor and any servicer or lender of Lessor certificates of insurance or, upon Lessor’s request, duplicate originals of insurance policies evidencing that insurance satisfying the requirements of this Lease is in effect at all times.

11. **Tax and Insurance Impound.** Upon the occurrence of an Event of Default, in addition to any other remedies, Lessor may require Lessee to pay to Lessor sums which will provide an impound account (which shall not be deemed a trust fund) for paying up to the next one year of taxes, assessments and/or insurance premiums. Upon such requirement, Lessor will estimate the amounts needed for such purposes and will notify Lessee to pay the same to Lessor in equal monthly installments, as nearly as practicable, in addition to all other Monetary Obligations due under this Lease. Should additional funds be required at any time, Lessee shall pay the same to Lessor within five (5) business days of demand. Lessee shall advise Lessor of

all taxes and insurance bills which are due and shall cooperate fully with Lessor in assuring that the same are paid. Lessor may deposit all impounded funds in accounts insured by any federal or state agency and may commingle such funds with other funds and accounts of Lessor. Interest or other gains from such funds, if any, shall be the sole property of Lessor. In the event of any default by Lessee, Lessor may apply all impounded funds against any sums due from Lessee to Lessor. Lessor shall give to Lessee an annual accounting showing all credits and debits to and from such impounded funds received from Lessee.

12. **Compliance With Laws, Restrictions, Covenants and Encumbrances.**

A. *Compliance*. Lessee's use and occupation of the Property, and the condition thereof, shall, at Lessee's sole cost and expense, comply fully with all Legal Requirements and all restrictions, covenants and encumbrances of record with respect to the Property, in either event, the failure with which to comply could have a Material Adverse Effect. Without in any way limiting the foregoing provisions, Lessee shall comply with all Legal Requirements relating to money laundering, anti-terrorism, trade embargos and economic sanctions, now or hereafter in effect. Upon the Lessor's written request from time to time during the Lease Term, Lessee shall certify in writing to Lessor that Lessee's representations, warranties and obligations under Section 6.G and this Section 12.A remain true and correct and have not been breached. Lessee shall immediately notify Lessor in writing if it becomes aware that any of such representations, warranties or covenants are no longer true or have been breached or if Lessee has a reasonable basis to believe that they may no longer be true or have been breached. In connection with such an event, Lessee shall comply with all Legal Requirements and directives of Governmental Authorities and, at Lessor's request, provide to Lessor copies of all notices, reports and other communications exchanged with, or received from, Governmental Authorities relating to such an event. Lessee shall also reimburse Lessor for all Costs incurred by Lessor in evaluating the effect of such an event on the Property and this Lease, in obtaining any necessary license from Governmental Authorities as may be necessary for Lessor to enforce its rights under the Transaction Documents, and in complying with all Legal Requirements applicable to Lessor as the result of the existence of such an event and for any penalties or fines imposed upon Lessor as a result thereof.

B. *Acts Resulting in Increased Insurance Rates*. Lessee will use its best efforts to prevent any act or condition to exist on or about the Property which will materially increase any insurance rate thereon, except when such acts are required in the normal course of its business and Lessee shall pay for such increase.

C. *ADA*. Without limiting the generality of the other provisions of this Section, Lessee agrees that it shall be responsible for complying in all respects with the Americans with Disabilities Act of 1990, as such act may be amended from time to time, and all regulations promulgated thereunder (collectively, the "ADA"), as it affects the Property. Lessee agrees that it will defend, indemnify and hold harmless the Indemnified Parties from and against any and all Losses caused by, incurred or resulting from Lessee's failure to comply with its obligations under this Section.

D. *Environmental*.

(i) *Representations and Warranties*. Lessee represents and warrants to Lessor, which representations and warranties shall survive the execution and delivery of this Lease, as follows:

(1) To Lessee's current actual knowledge, and except as set forth on Exhibit C attached hereto, the Property and Lessee are not in violation of or subject to, any pending or, to Lessee's current actual knowledge, threatened investigation or inquiry by any Governmental Authority or to any remedial obligations under any Environmental Laws that could have a Material Adverse Effect, nor has Lessee received any written or oral notice or other communication from any Person (including but not limited to a Governmental Authority) with respect to the Property relating to (I) Hazardous Materials or Remediation thereof; (II) possible liability of any Person pursuant to any Environmental Law; (III) other environmental conditions; or (IV) any actual or potential administrative or judicial proceedings in connection with any of the foregoing that could have a Material Adverse Effect. The foregoing representations and warranties would continue to be true and correct following disclosure to the applicable Governmental Authorities of all relevant facts, conditions and circumstances, if any, pertaining to the Property.

(2) To Lessee's current actual knowledge, except to the extent set forth on Exhibit C attached hereto, (I) all uses and operations on or of the Property, whether by Lessee or any other Person, have been in compliance with all Environmental Laws and environmental permits issued pursuant thereto; (II) there have been no Releases in, on, under or from the Property, or from other property migrating toward the Property, except in Permitted Amounts; (III) there are no Hazardous Materials in, on, or under the Property, except in Permitted Amounts; (IV) the Property has been kept free and clear of all liens and other encumbrances imposed pursuant to any Environmental Law (the "Environmental Liens"); and (V) Lessee has not allowed any other tenant or other user of the Property to do any act that materially increased the dangers to human health or the environment, posed an unreasonable risk of harm to any Person (whether on or off the Property), impaired the value of the Property in any material respect, is contrary to any requirement set forth in the insurance policies maintained by Lessor, constituted a public or private nuisance, constituted waste, or violated any covenant, condition, agreement or easement applicable to the Property.

(ii) *Covenants*.

(1) Lessee covenants to Lessor during the Lease Term, subject to the limitations of subsection (2) below, as follows:

(I) The Property and Lessee shall not be (a) in violation of any Remediation required by any Governmental Authority or (b) subject to any Remediation obligations under any Environmental Laws. Lessee shall not be in violation of any investigation or inquiry by any Governmental Authority.

(II) All uses and operations on or of the Property, whether by Lessee or any other Person, shall be in compliance with all Environmental Laws and permits issued pursuant thereto.

(III) There shall be no Releases in, on, under or from the Property, except in Permitted Amounts.

(IV) There shall be no Hazardous Materials in, on or under the Property, except in Permitted Amounts.

(V) Lessee shall keep the Property or cause the Property to be kept free and clear of all Environmental Liens, whether due to any act or omission of Lessee or any other Person.

(VI) Lessee shall not do or allow any other tenant or other user of the Property to do any act that (a) materially increases the dangers to human health or the environment, (b) poses an unreasonable risk of harm to any Person (whether on or off the Property), (c) has a Material Adverse Effect, (d) is contrary to any material requirement set forth in the insurance policies maintained by Lessee, (e) constitutes a public or private nuisance or constitutes waste, or (f) violates any covenant, condition, agreement or easement applicable to the Property.

(2) Notwithstanding any provision of this Lease to the contrary, an Event of Default shall not be deemed to have occurred as a result of the failure of Lessee to satisfy any one or more of the covenants set forth in subsections (I) through (VI) above provided that Lessee shall be in compliance with the requirements of any Governmental Authority with respect to the Remediation of any Release at the Property.

(iii) *Notification Requirements*. Lessee shall immediately notify Lessor in writing upon Lessee obtaining actual knowledge of (1) any Releases or Threatened Releases in, on, under or from the Property other than in Permitted Amounts, or migrating towards the Property; (2) any non-compliance with any Environmental Laws related in any way to the Property; (3) any actual or potential Environmental Lien; (4) any required or proposed Remediation of environmental conditions relating to the Property required by applicable Governmental Authorities; and (5) any written or oral notice or other communication which Lessee becomes aware from any source whatsoever (including but not limited to a Governmental Authority) relating in any way to Hazardous Materials or Remediation thereof at or on the Property, other than in

Permitted Amounts, possible liability of any Person relating to the Property pursuant to any Environmental Law, other environmental conditions in connection with the Property, or any actual or potential administrative or judicial proceedings in connection with anything referred to in this Section. Lessee shall, upon Lessor's written request, deliver to Lessor a certificate stating that Lessee is and has been in full compliance with all of the environmental representations, warranties and covenants in this Lease.

(iv) *Remediation*. Lessee shall, at its sole cost and expense, and without limiting any other provision of this Lease, effectuate any Remediation required by any Governmental Authority of any condition (including, but not limited to, a Release) in, on, under or from the Property and take any other reasonable action deemed necessary by any Governmental Authority for protection of human health or the environment. Should Lessee fail to undertake such Remediation in accordance with the preceding sentence, Lessor, after written notice to Lessee and Lessee's failure to immediately undertake such Remediation, shall be permitted to complete such Remediation, and all reasonable Costs incurred in connection therewith shall be paid by Lessee.

(v) *Indemnification*. Lessee shall, at its sole cost and expense, protect, defend, indemnify, release and hold harmless each of the Indemnified Parties from and against any and all Losses, including, but not limited to, all Costs of Remediation (whether or not performed voluntarily), arising out of or in any way relating to any Environmental Laws, Hazardous Materials or other environmental matters concerning the Property. It is expressly understood and agreed that Lessee's obligations under this Section shall survive the expiration or earlier termination of this Lease for any reason.

13. **Condition of Property; Maintenance.** Lessee hereby accepts the Property "AS IS" and "WHERE IS" with no representation or warranty of Lessor as to the condition thereof. The Property shall be kept in good, clean, sanitary and working condition, and Lessee shall at all times at its own expense maintain, repair and replace, as necessary, the Property, including all portions of the Property, whether or not the Property was in such condition on the Effective Date.

14. **Waste; Alterations and Improvements.** Lessee shall not commit actual or constructive waste upon the Property. During the Lease Term, Lessee shall not alter the exterior, structural, plumbing or electrical elements of the Property in any manner without the consent of Lessor, which consent shall not be unreasonably withheld or conditioned; *provided*, *however*, Lessee may undertake nonstructural alterations to the Property, individually, costing less than $100,000.00 without Lessor's prior written consent. If Lessor's consent is required hereunder and Lessor consents to the making of any such alterations, the same shall be made by Lessee at Lessee's sole expense by a licensed contractor and according to plans and specifications approved by Lessor and subject to such other conditions as Lessor shall require. Any work at any time commenced by Lessee on the Property shall be prosecuted diligently to completion, shall be of good workmanship and materials and shall comply fully with all the terms of this Lease. Upon completion of any alterations, Lessee shall promptly provide Lessor with (A) evidence of full payment to all laborers and materialmen contributing to the alterations, (B) an architect's certificate certifying the alterations to have been completed in conformity with

the plans and specifications, (C) a certificate of occupancy (if the alterations are of such a nature as would require the issuance of a certificate of occupancy), and (D) any other documents or information reasonably requested by Lessor. Lessee shall execute and file or record, as appropriate, a "Notice of Non-Responsibility," or any equivalent notice permitted under applicable law in the State. Any addition to or alteration of the Property shall be deemed a part of the Property and belong to Lessor, and Lessee shall execute and deliver to Lessor such instruments as Lessor may require to evidence the ownership by Lessor of such addition or alteration.

15. **Indemnification.** Lessee shall indemnify, protect, defend and hold harmless each of the Indemnified Parties from and against any and all Losses (excluding Losses suffered by an Indemnified Party arising out of such Indemnified Party's negligence or intentional misconduct) caused by, incurred or resulting from Lessee's use and occupancy of the Property, whether relating to its original design or construction, latent defects, alteration, maintenance, use by Lessee or any Person thereon, supervision or otherwise, or from any breach of, default under, or failure to perform, any term or provision of this Lease by Lessee, its officers, employees, agents or other Persons. It is expressly understood and agreed that Lessee's obligations under this Section shall survive the expiration or earlier termination of this Lease for any reason. Lessor shall indemnify, defend and hold harmless Lessee and its directors, officers, shareholders, partners, members, employees agents, servants, representatives, contractors, subcontractors, affiliates, subsidiaries, participants, successors and assigns, including, but not limited to, any successors by merger, consolidation or acquisition of all or a substantial portion of the assets and business of Lessee ("Lessee Indemnified Parties") from and against any and all Losses (excluding Losses suffered by such Lessee Indemnified Parties arising out of such Lessee's Indemnified Parties' negligence or intentionally misconduct) arising from any default by Lessor of this Lease.

16. **Quiet Enjoyment.** So long as Lessee shall pay the Rental and other Monetary Obligations herein provided and shall keep and perform all of the terms, covenants and conditions on its part herein contained, Lessee shall have, subject and subordinate to Lessor's rights herein, the right to the peaceful and quiet occupancy of the Property.

17. **Inspection.** Lessor and its authorized representatives shall have the right, at all reasonable times and upon giving reasonable prior notice (except in the event of an emergency, in which case no prior notice shall be required), to enter the Property or any part thereof and inspect the same. Lessee hereby waives any claim for damages for any injury or inconvenience to or interference with Lessee's business, any loss of occupancy or quiet enjoyment of the Property and any other loss occasioned by such entry, but, subject to Section 37, excluding damages arising as a result of the negligence or intentional misconduct of Lessor.

18. **Condemnation and Casualty.**

A. *Notification*. Lessee shall promptly give Lessor and any mortgagee (if required by the terms of any applicable mortgage or deed of trust and Lessee has received notice thereof) written notice of (i) any Condemnation of the Property or any part thereof, (ii) the commencement of any proceedings or negotiations which might result in a Condemnation of the Property or any part thereof, and (iii) any Casualty to the Property or any part thereof. Such notice shall provide a general description of the nature and extent of such Condemnation, proceedings, negotiations or Casualty, and shall include copies of any documents or notices received in connection therewith. Thereafter, Lessee shall promptly send Lessor copies of all notices, correspondence and pleadings relating to any such Condemnation, proceedings, negotiations or Casualty.

B. *Partial Condemnation or Casualty*. Except as otherwise provided in Section 18.C, in the event of a Condemnation which is not a Total Condemnation or a Temporary Condemnation ("Partial Condemnation"), or a Casualty which is not a Total Casualty (a "Partial Casualty"), all Net Awards shall be paid to Lessor. In the event of a Partial Condemnation or a Partial Casualty, Lessor shall have the option to terminate this Lease by notifying Lessee in writing within thirty (30) days after Lessee gives Lessor notice of such Partial Condemnation or Partial Casualty or that title has vested in the condemning authority, or to continue this Lease in effect, which election shall be evidenced by either a notice from Lessor to Lessee, or Lessor's failure to notify Lessee in writing that Lessor has elected to terminate this Lease within such thirty (30) day period. Lessee shall have a period of sixty (60) days after receipt of the Lessor's notice to terminate referenced above during which to elect, despite such Lessor notice of termination, to continue this Lease on the terms herein provided. If Lessee does not elect to continue this Lease or shall fail during such sixty (60) day period to notify Lessor of Lessee's intent to continue this Lease, then this Lease shall terminate as of the last day of the month during which such sixty (60) day period expired. Lessee shall vacate and surrender the Property by such termination date, in accordance with the provisions of this Lease, and all obligations of either party hereunder shall cease as of the date of termination (*provided, however*, Lessee's obligations to the Indemnified Parties under any indemnification provisions of this Lease and Lessee's obligations to pay Rental and all other Monetary Obligations (whether payable to Lessor or a third party) accruing under this Lease prior to the date of termination shall survive such termination). In such event, Lessor may retain all Net Awards related to the Partial Condemnation or Partial Casualty, and Lessee shall immediately pay Lessor an amount equal to the insurance deductible applicable to any Partial Casualty.

If Lessor elects not to terminate this Lease, or if Lessor elects to terminate this Lease (as provided above) but Lessee elects to continue this Lease, then this Lease shall continue in full force and effect on the following terms: all Rental and other Monetary Obligations due under this Lease shall continue unabated, and Lessee shall promptly commence and diligently prosecute restoration of the Property to the same condition, as nearly as practicable, as prior to such Partial Condemnation or Partial Casualty as approved by Lessor. As the restoration of the Property progresses, upon the written request of Lessee (accompanied by evidence reasonably satisfactory to Lessor that such amount has been paid or is due and payable and is properly part of such costs and that Lessee has complied with the terms of Section 13 in connection with the restoration), Lessor shall promptly make available in installments, subject to reasonable conditions for disbursement imposed by Lessor, an amount up to but not exceeding the amount of any Net Award received by Lessor with respect to such Partial Condemnation or Partial Casualty. Prior to the disbursement of any portion of the Net Award with respect to a Partial Casualty, Lessee shall provide evidence reasonably satisfactory to Lessor of the payment of restoration expenses by Lessee up to the amount of the insurance deductible applicable to such Partial Casualty. Lessee shall be entitled to keep any portion of the

Net Award which may be in excess of the cost of restoration, and Lessee shall bear all additional Costs of such restoration in excess of the Net Award.

C. *Total Condemnation and Total Casualty*. In the event of a Condemnation of all or substantially all of the Property or a Partial Condemnation, in either event that results in Lessee making a good faith determination that the restoration and continued use of the remainder of the Property as a Permitted Facility would be uneconomic (collectively, a "Total Condemnation"), or a Casualty of all or substantially all of the Property or a Partial Casualty, in either event that results in Lessee making a good faith determination that the restoration and continued use of the Property as a Permitted Facility would be uneconomic (collectively, a "Total Casualty"), then, in such event:

(i) *Awards*. Lessor shall be entitled to receive the entire Net Award in connection therewith without deduction for any estate vested in Lessee by this Lease, and Lessee hereby expressly assigns to Lessor all of its right, title and interest in and to every such Net Award and agrees that Lessee shall not be entitled to any Net Award or other payment for the value of Lessee's leasehold interest in this Lease. Lessee shall be entitled to claim and receive any award or payment from the condemning authority expressly granted for the taking of the Lessee Personalty, any insurance proceeds with respect to the Lessee Personalty, the interruption of its business and moving expenses, but only if such claim or award does not adversely affect or interfere with the prosecution of Lessor's claim for the Total Condemnation or Total Casualty or otherwise reduce the amount recoverable by Lessor for the Total Condemnation.

(ii) *Option To Terminate*. Lessee shall have the right to terminate this Lease by notice (the "Termination Notice") given to Lessor not later than thirty (30) days after the Total Condemnation or Total Casualty, as applicable. The Termination Notice must: (1) specify a date on which this Lease shall terminate, which date shall be the last day of a calendar month occurring not earlier than one hundred twenty (120) days and not later than one hundred fifty (150) days after the delivery of such notice (the "Early Termination Date"); (2) contain a certificate executed by a manager of Lessee which (I) describes the Total Condemnation or Total Casualty, and (II) represents and warrants that either all of the Property has been taken, damaged or destroyed, or that substantially all of the Property has been taken, damaged or destroyed, and Lessee has determined in good faith that the restoration and continued use of the remainder of the Property as a Permitted Facility would be uneconomic; and (3) if the Early Termination Date shall occur prior to the commencement of any Extension Options which may be exercised pursuant to Section 3, contain an irrevocable rejectable written offer (the "Rejectable Offer") of Lessee to purchase Lessor's interest in the Property and in the Net Award for the Total Condemnation or Total Casualty, as applicable, on the Early Termination Date for a purchase price (the "Loss Value") equal to the greater of the fair market value of the Property as of the Early Termination Date, or Lessor's Total Investment.

(iii) *Early Termination Date*. If the Early Termination Date shall occur prior to the commencement of any Extension Options which may be exercised pursuant to Section 3, Lessor shall have sixty (60) days from the delivery of the Termination Notice to deliver to Lessee written notice of its election to either accept or reject any Rejectable Offer contained in the Termination Notice. Lessor's failure to deliver such notice within such time period shall be deemed to constitute Lessor's acceptance of the applicable Rejectable Offer.

(iv) *Lessor Acceptance of Rejectable Offer*. If Lessor accepts or is deemed to have accepted the Rejectable Offer, then on the Early Termination Date or such other date as the parties may mutually agree in writing, Lessor shall sell and convey, and Lessee shall purchase for the applicable Loss Value, Lessor's interest in the Property and the Net Award. Lessee's obligations under this Lease shall not be terminated until the applicable Loss Value and all Rental and other Monetary Obligations due and payable under this Lease prior to the Early Termination Date, or such other date as the parties may mutually agree in writing, are paid in full. Upon such payment, (1) Lessor shall convey the Property to Lessee "as-is" by special warranty deed, subject to all matters of record, except for consensual liens, encumbrances or other interests granted by Lessor (other than those granted by Lessor at the request of Lessee), and without representations other than those required by applicable Law; and (2) all obligations of either party hereunder with respect to the Property shall cease as of the Early Termination Date, *provided, however*, Lessee's obligations to the Indemnified Parties under any indemnification provisions of this Lease and Lessee's obligations to pay any Monetary Obligations (whether payable to Lessor or a third party) accruing under this Lease prior to the Early Termination Date shall survive the termination of this Lease.

(v) *Lessor Rejection of Rejectable Offer*. If Lessor rejects the Rejectable Offer or if the Early Termination Date shall occur after the commencement of any Extension Options exercised pursuant to Section 3, then (1) the Net Award shall be paid to and belong to Lessor; (2) on the Early Termination Date, Lessee shall pay to Lessor all Rental and other Monetary Obligations then due and payable under this Lease; and (3) all obligations of either party hereunder shall cease as of the Early Termination Date; *provided, however*, Lessee's obligations to the Indemnified Parties under any indemnification provisions of this Lease and Lessee's obligations to pay any sums (whether payable to Lessor or a third party) accruing under this Lease prior to the Early Termination Date shall survive the termination of this Lease.

D. *Payment of Costs*. Lessee shall be solely responsible for the payment of all Costs incurred in connection with the conveyance of the Property to Lessee pursuant to this Section 18, including, without limitation, to the extent applicable, the cost of title insurance, survey charges, stamp taxes, mortgage taxes, transfer fees, escrow and recording fees, taxes imposed on Lessor as a result of such conveyance, taxes imposed in connection with the transfer of the Property to Lessee or the termination of this Lease pursuant to the provisions of this Section 18, Lessee's attorneys' fees, and the reasonable attorneys' fees and expenses of counsel to Lessor.

E. *Insurance*. Any loss under any property damage insurance required to be maintained by Lessee shall be adjusted by Lessor and Lessee. Any award relating to a Total Condemnation or a Partial Condemnation shall be adjusted by Lessor or, at Lessor's election, Lessee. Notwithstanding the foregoing or any other provisions of this Section 18 to the contrary, if at the time of any Condemnation or any Casualty or at any time thereafter an Event of Default shall have occurred and be continuing, Lessor is hereby authorized and empowered but shall not be obligated, in the name and on behalf of Lessee and otherwise, to file and prosecute Lessee's claim, if any, for a Net Award on account of such Condemnation or such Casualty and to collect such Net Award and apply the same to the curing of such Event of Default and any other then existing Event of Default under this Lease and/or to the payment of any amounts owed by Lessee to Lessor under this Lease, in such order, priority and proportions as Lessor in its discretion shall deem proper.

F. *Lessee Obligation in Event of Casualty*. During all periods of time following a Casualty, Lessee shall take reasonable steps to ensure that the Property is secure and does not pose any risk of harm to any adjoining property and Persons (including owners or occupants of such adjoining property).

G. *No Limitations*. Notwithstanding the foregoing, nothing in this Section 18 shall be construed as limiting or otherwise adversely affecting the representations, warranties, covenants and characterizations set forth in Lease.

19. **Fair Market Value**. With respect to the determination of fair market value for any purpose under this Lease, if the parties are unable to agree upon the fair market value, Lessee shall, at Lessee's sole expense, nominate to Lessor a list of not less than three independent MAI appraisers from national companies who have offices in at least five states and who are experienced with appraising property similar to the Property and Lessor shall select one such appraiser. In determining the fair market value of the Property, the appraiser shall utilize the cost, income and sales comparison approaches to value. The highest amount which results from the calculation of each of the cost approach, the income approach, and the sales comparison approach, all as determined in accordance with the provisions of this Section, shall constitute the fair market value of the Property.

20. **Default, Conditional Limitations, Remedies and Measure of Damages.**

A. Each of the following shall be an event of default by Lessee under this Lease (each, an "Event of Default"):

(i) if any representation or warranty of Lessee set forth in this Lease is false in any material respect, or if Lessee renders any false statement or account;

(ii) if any Rental or other Monetary Obligation due under this Lease is not paid when due and such failure continues for a period of ten (10) days after receipt of notice thereof by Lessee (provided that in no event shall Lessor be required to give more than two such notices in any calendar year if such failure to pay is the principal responsibility of Lessee);

(iii) if Lessee fails to pay, prior to delinquency, any taxes, assessments or other charges the failure of which to pay will result in the imposition of a lien against the Property;

(iv) if there is an Insolvency Event;

(v) if Lessee vacates or abandons the Property;

(vi) if Lessee fails to observe or perform any of the other covenants, conditions or obligations of Lessee in this Lease; *provided, however,* if any such failure does not involve the payment of any Monetary Obligation, is not willful or intentional, does not place any rights or property of Lessor in immediate jeopardy, and is within the reasonable power of Lessee to promptly cure, all as determined by Lessor in its reasonable discretion, then such failure shall not constitute an Event of Default hereunder, unless otherwise expressly provided herein, unless and until Lessor shall have given Lessee notice thereof and a period of thirty (30) days shall have elapsed, during which period Lessee may correct or cure such failure, upon failure of which an Event of Default shall be deemed to have occurred hereunder without further notice or demand of any kind being required. If such failure cannot reasonably be cured within such thirty (30) day period, as determined by Lessor in its reasonable discretion, and Lessee is diligently pursuing a cure of such failure, then Lessee shall have a reasonable period to cure such failure beyond such thirty (30) day period, which shall in no event exceed ninety (90) days after receiving notice of such failure from Lessor. If Lessee shall fail to correct or cure such failure within such ninety (90) day period an Event of Default shall be deemed to have occurred hereunder without further notice or demand of any kind being required;

(vii) if a final, nonappealable judgment is rendered by a court against Lessee which has a Material Adverse Effect, or which does not have a Material Adverse Effect but which is in the amount of $100,000.00 or more, and in either event is not discharged or provision made for such discharge within ninety (90) days from the date of entry thereof;

(viii) if Lessee shall be liquidated or dissolved or shall begin proceedings towards its liquidation or dissolution;

(ix) if the estate or interest of Lessee in the Property shall be levied upon or attached in any proceeding and such estate or interest is about to be sold or transferred or such process shall not be vacated or discharged within ninety (90) days after it is made; or

(x) if there is an “Event of Default” or other breach or default by Lessee under any of the other Transaction Documents or any Other Agreement, after the passage of all applicable notice and cure or grace periods.

B. Upon the occurrence of an Event of Default, with or without notice or demand, except as otherwise expressly provided herein or such other notice as may be required by statute and cannot be waived by Lessee, Lessor shall be entitled to exercise, at its option, concurrently, successively, or in any combination, all remedies available at law or in equity, including without limitation, any one or more of the following:

(i) To terminate this Lease, whereupon Lessee's right to possession of the Property shall cease and this Lease, except as to Lessee's liability, shall be terminated.

(ii) To the extent not prohibited by applicable law, to reenter and take possession of the Property (or any part thereof), any or all personal property or fixtures of Lessee upon the Property and, to the extent permissible, all franchises, licenses, area development agreements, permits and other rights or privileges of Lessee pertaining to the use and operation of the Property, and to expel Lessee and those claiming under or through Lessee, without being deemed guilty in any manner of trespass or becoming liable for any loss or damage resulting therefrom, without resort to legal or judicial process, procedure or action. No notice from Lessor hereunder or under a forcible entry and detainer statute or similar law shall constitute an election by Lessor to terminate this Lease unless such notice specifically so states. If Lessee shall, after default, voluntarily give up possession of the Property to Lessor, deliver to Lessor or its agents the keys to the Property, or both, such actions shall be deemed to be in compliance with Lessor's rights and the acceptance thereof by Lessor or its agents shall not be deemed to constitute a termination of the Lease. Lessor reserves the right following any reentry and/or reletting to exercise its right to terminate this Lease by giving Lessee written notice thereof, in which event this Lease will terminate.

(iii) To bring an action against Lessee for any damages sustained by Lessor or any equitable relief available to Lessor and to the extent not prohibited by applicable law, to seize all personal property or fixtures upon the Property which Lessee owns or in which it has an interest, in which Lessor shall have a landlord's lien and/or security interest, and to dispose thereof in accordance with the laws prevailing at the time and place of such seizure or to remove all or any portion of such property and cause the same to be stored in a public warehouse or elsewhere at Lessee's sole expense, without becoming liable for any loss or damage resulting therefrom and without resorting to legal or judicial process, procedure or action.

(iv) To relet the Property or any part thereof for such term or terms (including a term which extends beyond the original Lease Term), at such rentals and upon such other terms as Lessor, in its sole discretion, may determine, with all proceeds received from such reletting being applied to the Rental and other Monetary Obligations due from Lessee in such order as Lessor may, in it sole discretion, determine, which other Monetary Obligations include, without limitation, all repossession costs, brokerage commissions, attorneys' fees and expenses, alteration, remodeling and repair costs and expenses of preparing for such reletting. Except to the extent required by applicable Law, Lessor shall have no obligation to relet the Property or any part thereof and shall in no event be liable for refusal or failure to relet the Property or any part thereof, or, in the event of any such reletting, for refusal or failure to collect any rent due upon such reletting, and no such refusal or failure shall operate to relieve Lessee of any liability under this Lease or otherwise to affect any such liability. Lessor reserves the right following any reentry and/or reletting to exercise its right to terminate this Lease by giving Lessee written notice thereof, in which event this Lease will terminate as specified in said notice.

(v) To accelerate and recover from Lessee all Rental and other Monetary Obligations due and owing and scheduled to become due and owing under this Lease both before and after the date of such breach for the entire original scheduled Lease Term.

(vi) To recover from Lessee all Costs paid or incurred by Lessor as a result of such breach, regardless of whether or not legal proceedings are actually commenced.

(vii) To immediately or at any time thereafter, and with or without notice, at Lessor's sole option but without any obligation to do so, correct such breach or default and charge Lessee all Costs incurred by Lessor therein. Any sum or sums so paid by Lessor, together with interest at the Default Rate, shall be deemed to be Additional Rental hereunder and shall be immediately due from Lessee to Lessor. Any such acts by Lessor in correcting Lessee's breaches or defaults hereunder shall not be deemed to cure said breaches or defaults or constitute any waiver of Lessor's right to exercise any or all remedies set forth herein.

(viii) To immediately or at any time thereafter, and with or without notice, except as required herein, set off any money of Lessee held by Lessor under this Lease or any other Transaction Document or any Other Agreement against any sum owing by Lessee hereunder.

All powers and remedies given by this Section to Lessor, subject to applicable Law, shall be cumulative and not exclusive of one another or of any other right or remedy or of any other powers and remedies available to Lessor under this Lease, by judicial proceedings or otherwise, to enforce the performance or observance of the covenants and agreements of Lessee contained in this Lease, and no delay or omission of Lessor to exercise any right or power accruing upon the occurrence of any Event of Default shall impair any other or subsequent Event of Default or impair any rights or remedies consequent thereto. Every power and remedy given by this Section or by Law to Lessor may be exercised from time to time, and as often as may be deemed expedient, by Lessor, subject at all times to Lessor's right in its sole judgment to discontinue any work commenced by Lessor or change any course of action undertaken by Lessor.

C. Notwithstanding any provision in this Lease to the contrary, upon the occurrence of an Event of Default by Lessee, Lessor, in exercising its rights and remedies hereunder, shall not be permitted to interfere with classes conducted upon the Property or to remove students residing at the Property prior to end of the applicable school semester.

D. In the event Lessor breaches or fails to perform any term or provision of this Lease, and if Lessor fails to cure the default within thirty (30) days after written notice thereof by Lessee, then Lessee shall be entitled either to (a) cure the default by taking whatever action necessary or (b) pursue any remedy available to Lessee at law or in equity. Notwithstanding the foregoing, Lessee shall not have the preceding rights in the event Lessor takes action to cure the default within the 30-day period but is unable, by reason of the nature of the work involved, to cure the default within such period, provided Lessor continues to work thereafter diligently and without unnecessary delays. Lessee shall have the right to remedy any default of an emergency nature without notice (if the giving of notice is not reasonably practical) in the event of an emergency.

21. **Mortgage, Subordination and Attornment.** Lessor's interest in this Lease and/or the Property shall not be subordinate to any liens or encumbrances placed upon the Property by or resulting from any act of Lessee, and nothing herein contained shall be construed to require such subordination by Lessor. Lessee shall keep the Property free from any liens for work performed, materials furnished or obligations incurred by Lessee. NOTICE IS HEREBY GIVEN THAT LESSEE IS NOT AUTHORIZED TO PLACE OR ALLOW TO BE PLACED ANY LIEN, MORTGAGE, DEED OF TRUST, SECURITY INTEREST OR ENCUMBRANCE OF ANY KIND UPON ALL OR ANY PART OF THE PROPERTY OR LESSEE'S LEASEHOLD INTEREST THEREIN, AND ANY SUCH PURPORTED TRANSACTION SHALL BE VOID.

This Lease at all times shall be subordinate to the lien of any and all ground leases, mortgages and trust deeds now or hereafter placed upon the Property by Lessor, and Lessee covenants and agrees to execute and deliver, upon demand, such further instruments subordinating this Lease to the lien of any or all such ground leases, mortgages or trust deeds as shall be desired by Lessor, or any present or proposed mortgagees under trust deeds, provided that any such mortgage, other security instrument or ground lease (or a separate instrument in recordable form duly executed by the holder of any such mortgage or other security instrument or the ground lessor and delivered to Lessee) shall provide for the recognition of this Lease and all of Lessee's rights hereunder unless and until an Event of Default exists.

If any mortgagee, receiver or other secured party elects to have this Lease and the interest of Lessee hereunder be superior to any such ground lease, mortgage or trust deed and evidences such election by notice given to Lessee, then this Lease and the interest of Lessee hereunder shall be deemed superior to any such ground lease, mortgage or trust deed, whether this Lease was executed before or after such ground lease, mortgage or trust deed and in that event such mortgagee, receiver or other secured party shall have the same rights with respect to this Lease as if it had been executed and delivered prior to the execution and delivery of such ground lease, mortgage or trust deed and had been assigned to such mortgagee, receiver or other secured party.

Although the foregoing provisions shall be self-operative and no future instrument of subordination shall be required, upon request by Lessor, Lessee shall execute and deliver whatever instruments may be required for such purposes, and in the event Lessee fails so to do within fifteen (15) days after demand, Lessee does hereby make, constitute and irrevocably appoint Lessor as its agent and attorney-in-fact and in its name, place and stead so to do, which appointment shall be deemed coupled with an interest.

In the event any purchaser or assignee of any mortgagee at a foreclosure sale acquires title to the Property, or in the event that any mortgagee or any assignee otherwise succeeds to the rights of Lessor as landlord under this Lease, Lessee shall attorn to mortgagee or such purchaser or assignee, as the case may be (a "Successor Lessor"), and recognize the Successor Lessor as lessor under this Lease, and, if the Successor Lessor in its sole discretion elects to recognize Lessee's tenancy under this Lease, this Lease shall continue in full force and effect as a direct lease between the Successor Lessor and Lessee, provided that the Successor Lessor shall only be liable for any obligations of the Lessor under this Lease which accrue after the date that such Successor Lessor acquires title. The foregoing provision shall be self-operative and effective without the execution of any further instruments.

Lessee shall give written notice to any lender or mortgagee of Lessor having a recorded lien upon the Property or any part thereof of which Lessee has been notified of any breach or default by Lessor of any of its obligations under this Lease and give such lender or mortgagee at least thirty (30) days beyond any notice period to which Lessor might be entitled to cure such default before Lessee may exercise any remedy with respect thereto. Upon request by Lessor, Lessee shall also provide Lessee's and/or Guarantor's most recent audited financial statements to Lessor or any such lender or mortgagee and certify the continuing accuracy of such financial statements in such manner as Lessor or such lender or mortgagee may request.

22. **Estoppel Certificate.** At any time, and from time to time, Lessee shall, promptly and in no event later than ten (10) business days after a request from Lessor or any lender or mortgagee of Lessor, execute, acknowledge and deliver to Lessor or such lender or mortgagee, as the case may be, a certificate in the form supplied by Lessor, certifying: (A) that Lessee has accepted the Property; (B) that this Lease is in full force and effect and has not been modified (or if modified, setting forth all modifications), or, if this Lease is not in full force and effect, the certificate shall so specify the reasons therefor; (C) the commencement and expiration dates of the Lease Term; (D) the date to which the Rentals have been paid under this Lease and the amount thereof then payable; (E) whether there are then any existing defaults by Lessor in the performance of its obligations under this Lease, and, if there are any such defaults, specifying the nature and extent thereof; (F) that no notice has been received by Lessee of any default under this Lease which has not been cured, except as to defaults specified in the certificate; (G) the capacity of the person executing such certificate, and that such person is duly authorized to execute the same on behalf of Lessee; (H) that neither Lessor nor any lender or mortgagee has actual involvement in the management or control of decision making related to the operational aspects or the day-to-day operation of the Property, including any handling or disposal of Hazardous Materials; and (I) any other information reasonably requested by Lessor or any lender or mortgagee, as the case may be. If Lessee shall fail or refuse to sign a certificate in accordance with the provisions of this Section within ten (10) days following a request by Lessor, Lessee irrevocably constitutes and appoints Lessor as its attorney-in-fact to execute and deliver the certificate to any such third party, it being stipulated that such power of attorney is coupled with an interest and is irrevocable and binding.

23. **Assignment.**

A. As a material inducement to Lessor's willingness to complete the transactions contemplated by the Lease and the other Transaction Documents, Lessee hereby agrees that Lessor may, from time to time and at any time and without the consent of Lessee, engage in all or any combination of the following, or enter into agreements in connection with any of the following or in accordance with requirements that may be imposed by applicable securities, tax or other Laws: (i) the sale, assignment, grant, conveyance, transfer, financing, re-financing, purchase or re-acquisition of all, less than all or any portion of the Property, this Lease or any other Transaction Document, Lessor's right, title and interest in this Lease or any other Transaction Document, the servicing rights with respect to any of the foregoing, or participations in any of the foregoing, or (ii) a Securitization and related transactions. Without in any way limiting the foregoing, the parties acknowledge and agree that Lessor, in its sole discretion, may assign this Lease or any interest herein to another Person (including without limitation, a taxable REIT subsidiary) in order to maintain Lessor's status as a REIT. In the event of any such sale or assignment other than a security assignment, Lessee shall attorn to such purchaser or assignee (so long as Lessor and such purchaser or assignee notify Lessee in writing of such transfer and such purchaser or assignee expressly assumes in writing the obligations of the Lessor hereunder). At the request of Lessor, Lessee will execute such documents confirming the sale, assignment or other transfer and such other agreements as Lessor may reasonably request, provided that the same do not increase the liabilities and obligations of Lessee hereunder. Lessee shall not bear any Costs in connection with any sale or transfer of the Property. Lessor shall be relieved, from and after the date of such transfer or conveyance, of liability for the performance of any obligation of Lessor contained herein, except for obligations or liabilities accrued prior to such assignment or sale.

B. Lessee acknowledges that Lessor has relied both on the business experience and creditworthiness of Lessee and upon the particular purposes for which Lessee intends to use the Property in entering into this Lease. Except as provided below, Lessee shall not assign, transfer, convey, pledge or mortgage this Lease or any interest therein, whether by operation of law or otherwise without the prior written consent of Lessor, which consent will not be unreasonably withheld, considering such matters as the experience of any assignee, the assumption by any assignee of all of Lessee's obligations hereunder by undertakings enforceable by Lessor, the transfer to or procurement of all necessary licenses and franchises to an assignee in order to continue operating the Property for the purposes herein provided. At the time of any assignment of this Lease which is approved by Lessor, the assignee shall assume all of the obligations of Lessee under this Lease pursuant to Lessor's standard form of assumption agreement. Such assignment of the Property shall relieve Lessee of its obligations respecting this Lease except for those obligations arising prior to such assignment. Any assignment, transfer, conveyance, pledge or mortgage in violation of this Section 23 shall be voidable at the sole option of Lessor. Any consent to an assignment given by Lessor hereunder shall not be deemed a consent to any subsequent assignment.

Notwithstanding any provision contained herein, Lessee may assign this Lease to a Lessee Affiliate approved by Lessor in writing ("Assignee"), which approval shall not be unreasonably withheld, provided that (i) neither Assignee nor any Affiliate of Assignee that actually or constructively owns ten percent (10%) or more of the outstanding capital stock of Lessor shall own, directly or indirectly, (1) ten percent (10%) or more of the total combined voting power of all classes of voting capital stock of Assignee, or (2) ten percent (10%) or more of the total value of all classes of capital stock of Assignee; and (ii) the conditions set forth in this paragraph are satisfied. Lessee shall provide Lessor with notice of the proposed assignment permitted by the preceding sentence. Notwithstanding the foregoing, any such assignment shall not be effective until Lessor has approved the Assignee (which approval shall not be unreasonably withheld), and Assignee has provided written certification to Lessor that (1) Assignee or any Person who owns directly or indirectly any interest in Assignee, is not a Person whose property or interests are subject to being blocked under any of the Terrorism Laws or is otherwise in violation of the Terrorism Laws, and (2) Assignee has taken such measures as are required by the Terrorism Laws to assure that any Person who owns directly or indirectly any interest in Assignee is not a Person whose property or interests are subject to being blocked under any of the Terrorism Laws or is otherwise in violation of the Terrorism Laws.

C. Lessee shall not sublet any or all of the Property without the prior written consent of Lessor, which may be withheld by Lessor in its sole discretion and any such purported subletting shall be void. Notwithstanding the foregoing, Lessee may sublease up to twenty-five percent (25%) of gross rentable area of the improvements located on the Property without the consent of Lessor, provided that (i) Lessee provide Lessor with a copy of any such sublease; (ii) the use of the Property under such sublease shall be consistent with the Permitted Facility; and (iii) neither the sublessee nor any Affiliate of the sublessee that actually or constructively owns ten percent (10%) or more of the outstanding capital stock of Lessor shall own, directly or indirectly, (x) ten percent (10%) or more of the total combined voting power of all classes of voting capital stock of the sublessee, or (y) ten percent (10%) or more of the total value of all classes of capital stock of the sublessee. Any such sublease by Lessee shall in no way release Lessee of its obligation hereunder.

24. **Notices.** All notices, demands, designations, certificates, requests, offers, consents, approvals, appointments and other instruments given pursuant to this Lease (collectively called "Notices") shall be in writing and given by any one of the following: (A) hand delivery, (B) express overnight delivery service, (C) certified or registered mail, return receipt requested or (D) electronic mail message, provided that a copy of such electronic mail message is also sent via certified or registered mail, return receipt requested, within one Business Day of the transmission of such electronic mail message, and shall be deemed to have been delivered upon (i) receipt, if hand delivered, (ii) the next Business Day, if delivered by a reputable express overnight delivery service, (iii) the third Business Day following the day of deposit of such notice with the United States Postal Service, if sent by certified or registered mail, return receipt requested, or (iv) transmission, if delivered by electronic mail pursuant to the requirements of Section 24(D) above. Notices shall be provided to the parties and addresses (or electronic mail addresses) specified below:

If to Lessee:	Significant Education, LLC 3300 West Camelback Road Phoenix, Arizona, 85017 Attention: Charles Preston Telephone: (512) 320-4093 Telecopy: (512) 476-4869 E-Mail: cpreston@220partners.com And: Dennis Little, CFO (same address) Telephone: (602) 589-2081 Telecopy: (602) 589-2458 E-Mail: dlittle@gcu.edu With a copy to: Linda Rawles, General Counsel (same address) Telephone: (602) 589-2063 E-Mail: lrawles@gcu.edu
With a copy to:	DuBois, Bryant, Campbell & Schwartz, L.L.P. 700 Lavaca St., Suite 1300 Austin, Texas 78701 Attention: Bryan Lee Telephone: (512) 457-8000 Telecopy: (512) 457-8008 E-mail: blee@dbcslaw.com
If to Lessor:	Spirit Finance Acquisitions, LLC 8910 East Raintree Drive, Suite 100 Scottsdale, Arizona 85260 Attention: Chief Financial Officer Telephone: (480) 606-0820 Telecopy: (480) 606-0826 E-Mail: clong@spiritfinance.com
With a copy to:	Kutak Rock LLP 1801 California Street, Suite 3100 Denver, Colorado 80202 Attention: Peggy A. Richter, Esq. Telephone: (303) 297-2400 Telecopy: (303) 292-7799 E-Mail: peggy.richter@kutakrock.com

or to such other address or such other person as either party may from time to time hereafter specify to the other party in a notice delivered in the manner provided above.

25. **Holdover.** If Lessee remains in possession of the Property after the expiration of the term hereof, Lessee, at Lessor's option and within Lessor's sole discretion, may be deemed a tenant on a month-to-month basis and shall continue to pay Rentals and other Monetary Obligations in the amounts herein provided, except that the Base Monthly Rental shall be automatically increased to one hundred fifty percent (150%) of the last Base Monthly Rent payable under this Lease, and Lessee shall comply with all the terms of this Lease; provided that nothing herein nor the acceptance of Rental by Lessor shall be deemed a consent to such holding over. Lessee shall defend, indemnify, protect and hold the Indemnified Parties harmless from and against any and all Losses resulting from Lessee's failure to surrender possession upon the expiration of the Lease Term, including, without limitation, any claims made by any succeeding lessee.

26. **Landlord's Lien/Security Interest.** Lessee agrees that Lessor shall have a landlord's lien, and additionally hereby separately grants to Lessor a first and prior security interest, in, on and against all personal property, appliances, furniture and equipment of Lessee from time to time situated on or used in connection with the Property (the "Personalty"), which lien and security interest shall secure the payment of all Rental and other Monetary Obligations payable by Lessee to Lessor under the terms hereof and all other obligations of Lessee to Lessor under this Lease; *provided, however,* that such lien and security interest shall be subject and subordinate to any lien or security interest held by any mortgagee with respect to such Personalty, and the term Personalty shall not include inventory. Lessee agrees that Lessor may file such documents as Lessor then deems appropriate or necessary to perfect and maintain said lien and security interest, and expressly acknowledges and agrees that, in addition to any and all other rights and remedies of Lessor whether hereunder or at law or in equity, in the event of any default of Lessee hereunder, Lessor shall have any and all rights and remedies granted a secured party under the Uniform Commercial Code then in effect in the states where the Property are located. Lessee covenants to promptly notify Lessor of any changes in Lessee's name and/or organizational structure which may necessitate the execution and filing of additional financing statements; *provided, however,* the foregoing shall not be construed as Lessor's consent to such changes. Notwithstanding anything to the contrary, Lessor subordinates its Landlord's lien to any financing obtained by Lessee in connection with the operation of Lessee's business on the Property and agrees to promptly execute such documents as may be requested from such third-party lender or vendor to evidence such subordination.

27. **Removal of Personalty.** At the expiration of the Lease Term, and if Lessee is not then in breach hereof, Lessee may remove from the Property all personal property belonging to Lessee. Lessee shall repair any damage caused by such removal and shall leave all of the Property broom clean and in good and working condition and repair inside and out. Any property of Lessee left on the Property on the tenth day following the expiration of the Lease Term shall automatically and immediately become the property of Lessor.

28. **Financial Statements; Compliance Certificate.** Within forty five (45) days after the end of each fiscal quarter and within one hundred twenty (120) days after the end of each fiscal year of Lessee, Lessee shall deliver to Lessor (A) complete financial statements of

Lessee and Guarantor including a balance sheet, profit and loss statement, statement of changes in financial condition and all other related schedules for the fiscal period then ended; and (B) income statements for the business at the Property. All such financial statements shall be prepared in accordance with generally accepted accounting principles, consistently applied from period to period, and shall be certified to be accurate and complete by an officer or director of the Lessee and Guarantor, respectively. Lessee understands that Lessor will rely upon such financial statements and Lessee represents that such reliance is reasonable. In the event that Lessee's property and business at the Property are ordinarily consolidated with other business for financial statements purposes, such financial statements shall be prepared on a consolidated basis showing separately the sales, profits and losses, assets and liabilities pertaining to the Property with the basis for allocation of overhead of other charges being clearly set forth. The financial statements delivered to Lessor need not be audited, but Lessee shall deliver to Lessor copies of any audited financial statements of Lessee and Guarantor which may be prepared, as soon as they are available. Within thirty (30) days after the end of each fiscal year of Lessee, and upon prior written request by Lessor, Lessee shall deliver such compliance certificate to Lessor as Lessor may reasonably require in order to establish that Lessee is in compliance with all of its obligations, duties and covenants under this Lease.

29. **Force Majeure.** Any prevention, delay or stoppage due to strikes, lockouts, acts of God, enemy or hostile governmental action, civil commotion, fire or other casualty beyond the control of the party obligated to perform (each, a "Force Majeure Event") shall excuse the performance by such party for a period equal to any such prevention, delay or stoppage, expressly excluding, however, the obligations imposed upon Lessee with respect to Rental and other Monetary Obligations to be paid hereunder.

30. **No Merger.** There shall be no merger of this Lease nor of the leasehold estate created by this Lease with the fee estate in or ownership of the Property by reason of the fact that the same person, corporation, firm or other entity may acquire or hold or own, directly or indirectly, (A) this Lease or the leasehold estate created by this Lease or any interest in this Lease or in such leasehold estate, and (B) the fee estate or ownership of the Property or any interest in such fee estate or ownership. No such merger shall occur unless and until all persons, corporations, firms and other entities having any interest in (i) this Lease or the leasehold estate created by this Lease, and (ii) the fee estate in or ownership of the Property or any part thereof sought to be merged shall join in a written instrument effecting such merger and shall duly record the same.

31. **Characterization.**

A. Lessor and Lessee acknowledge and warrant to each other that each has been represented by independent counsel and has executed this Lease after being fully advised by said counsel as to its effect and significance. This Lease shall be interpreted and construed in a fair and impartial manner without regard to such factors as the party which prepared the instrument, the relative bargaining powers of the parties or the domicile of any party. Whenever in this Lease any words of obligation or duty are used, such words or expressions shall have the same force and effect as though made in the form of a covenant.

B. The following expressions of intent, representations, warranties, covenants, agreements, stipulations and waivers are a material inducement to Lessor entering into this Lease:

(i) It is the intent of the parties hereto, and the parties acknowledge and agree that they have executed and delivered this Lease with the understanding that (1) this Lease constitutes an unseverable and single lease of all, but not less than all, of the Property, and, if at any time this Lease covers other real property in addition to the Property, neither this Lease, nor Lessee's obligations or rights hereunder may be allocated or otherwise divided among such properties by Lessee; (2) this Lease is a "true lease," is not a financing lease, capital lease, mortgage, equitable mortgage, deed of trust, trust agreement, security agreement or other financing or trust arrangement, and the economic realities of this Lease are those of a true lease; and (3) the business relationship created by this Lease and any related documents is solely that of a long-term commercial lease between Lessor and Lessee, the Lease has been entered into by both parties in reliance upon the economic and legal bargains contained herein, and none of the agreements contained herein is intended, nor shall the same be deemed or construed, to create a partnership between Lessor and Lessee, to make them joint venturers, to make Lessee an agent, legal representative, partner, subsidiary or employee of Lessor, nor to make Lessor in any way responsible for the debts, obligations or losses of Lessee.

(ii) Each of the parties hereto covenants and agrees to the following: (1) each will treat this Lease (I) as an operating lease pursuant to Statement of Financial Accounting Standards No. 13, as amended; and (II) as a true lease for state law reporting purposes and for federal income tax purposes. For federal income tax purposes, each party shall report this Lease as a true lease with Lessor as the owner of the Property and Lessee as the lessee of the Property including: (a) treating Lessor as the owner of the property eligible to claim depreciation deductions under Section 167 or 168 of the Code with respect to the Property; (b) Lessee reporting its Rental payments as rent expense under Section 162 of the Code; and (c) Lessor reporting the Rental payments as rental income under Section 61 of the Code; (2) each party will not, nor will it permit any Affiliate to, at any time, take any action or fail to take any action with respect to the preparation or filing of any statement or disclosure to Governmental Authority, including without limitation, any income tax return (including an amended income tax return), to the extent that such action or such failure to take action would be inconsistent with the intention of the parties expressed in this Section 31.B; (3) with respect to the Property, the Lease Term (including any Extension Term) is less than eighty percent (80%) of the estimated remaining economic life of the Property; and (4) the Base Annual Rental is the fair market value for the use of the Property and was agreed to by Lessor and Lessee on that basis, and the execution and delivery of, and the performance by Lessee of its obligations under, this Lease do not constitute a transfer of all or any part of the Property.

(iii) Lessee waives any claim or defense based upon the characterization of this Lease as anything other than a true lease and as a master lease of the Property. Lessee stipulates and agrees (1) not to challenge the validity, enforceability or characterization of the lease of the Property as a true lease and/or as a single, unseverable instrument pertaining to the lease of all, but not less than all, of the Property, and (2) not to assert or take or omit to take any action inconsistent with the agreements and understandings set forth in this Section 31.B.

(iv) The parties agree that, notwithstanding any provision contained in this Lease, any party (and each employee, representative or other agent of any party) may disclose to *any and all persons, without limitation of any kind*, (1) the tax treatment and tax structure of this Lease and all materials of any kind (including opinions or any tax analyses) that are provided to any party relating to such tax treatment and tax structure, and (2) any matter required under the Securities Act of 1933, as amended (the "Securities Act"), or the Securities Exchange Act of 1934, as amended (the "Exchange Act").

32. **Easements.** In order to provide for orderly development or renovation of the Property, it may be necessary, desirable or required that street, water, sewer, drainage, gas, power lines, and other easements, dedications, and similar rights be granted or dedicated over or within portions of the Property. Lessor shall, on request of Lessee, join Lessee in executing and delivering such documents, from time to time, and throughout the term of this Lease, as may be appropriate, necessary, or required by any governmental agencies, public utilities, and/or companies for the purpose of granting such easements and dedications, providing such easements or dedications will not have the effect of reducing the then fair market value of the Property, will not subject Lessor to a material increase in liability or material financial obligations, are documented in form and substance reasonably satisfactory to Lessor and are reasonably necessary for the orderly development or renovation of the Property. In the event that Lessee deems it necessary or appropriate to obtain use, zoning, subdivision, plan approval and/or permits for the Property, or any part thereof, Lessor agrees, from time to time, on Lessee's request and subject to the terms of this paragraph, to execute such documents, petitions, applications and authorizations as maybe appropriate or required for the purposes of obtaining any permits, zoning and rezoning, plan approval or other approvals for the Property or any part thereof. In each of the foregoing instances, the cost and expense thereof shall be borne solely by Lessee. Further, notwithstanding anything to the contrary herein, the rights granted to Lessee hereunder are subject to Lessee not exercising those rights in any manner or way that will materially reduce the fair market value of the Property. Neither Lessor nor Lessee shall make any changes in the existing use, zoning, subdivision, plan approval and/or permits for the Property, or any part thereof, without the prior written consent of the other party, which consent shall not be unreasonably withheld, conditioned or delayed

33. **Bankruptcy.** As a material inducement to Lessor executing this Lease, Lessee acknowledges and agrees that Lessor is relying upon (A) the financial condition and specific operating experience of Lessee and Lessee's obligation to use the Property as a Permitted Facility, (B) Lessee's timely performance of all of its obligations under this Lease notwithstanding the entry of an order for relief under the Bankruptcy Code for Lessee, and (C) all defaults under this Lease being cured promptly and this Lease being assumed within sixty

(60) days of any order for relief entered under the Bankruptcy Code for Lessee, or this Lease being rejected within such 60 day period and the Property surrendered to Lessor. Accordingly, in consideration of the mutual covenants contained in this Lease and for other good and valuable consideration, Lessee hereby agrees that: (i) all obligations that accrue under this Lease (including the obligation to pay Rentals), from and after an Insolvency Event shall be timely performed exactly as provided in this Lease and any failure to so perform shall be harmful and prejudicial to Lessor; (ii) any and all Rentals that accrue from and after an Insolvency Event and that are not paid as required by this Lease shall, in the amount of such Rentals, constitute administrative expense claims allowable under the Bankruptcy Code with priority of payment at least equal to that of any other actual and necessary expenses incurred after an Insolvency Event; (iii) any extension of the time period within which the Lessee may assume or reject this Lease without an obligation to cause all obligations under this Lease to be performed as and when required under this Lease shall be harmful and prejudicial to Lessor; (iv) any time period designated as the period within which the Lessee must cure all defaults and compensate Lessor for all pecuniary losses which extends beyond the date of assumption of this Lease shall be harmful and prejudicial to Lessor; (v) any assignment of this Lease must result in all terms and conditions of this Lease being assumed by the assignee without alteration or amendment, and any assignment which results in an amendment or alteration of the terms and conditions of this Lease without the express written consent of Lessor shall be harmful and prejudicial to Lessor; (vi) any proposed assignment of this Lease shall be harmful and prejudicial to Lessor if made to an assignee: (1) that does not possess financial condition adequate to operate a Permitted Facility upon the Property or operating performance and experience characteristics satisfactory to Lessor equal to or better than the financial condition, operating performance and experience of Lessee as of the Effective Date, or (2) that does not provide guarantors of the lease obligations with financial condition equal to or better than the financial condition of the Guarantor as of the Effective Date; and (vii) the rejection (or deemed rejection) of this Lease for any reason whatsoever shall constitute cause for immediate relief from the automatic stay provisions of the Bankruptcy Code, and Lessee stipulates that such automatic stay shall be lifted immediately and possession of the Property will be delivered to Lessor immediately without the necessity of any further action by Lessor. No provision of this Lease shall be deemed a waiver of Lessor's rights or remedies under the Bankruptcy Code or applicable Law to oppose any assumption and/or assignment of this Lease, to require timely performance of Lessee's obligations under this Lease, or to regain possession of the Property as a result of the failure of Lessee to comply with the terms and conditions of this Lease or the Bankruptcy Code. Notwithstanding anything in this Lease to the contrary, all amounts payable by Lessee to or on behalf of Lessor under this Lease, whether or not expressly denominated as such, shall constitute "rent" for the purposes of the Bankruptcy Code. For purposes of this Section addressing the rights and obligations of Lessor and Lessee upon an Insolvency Event, the term "Lessee" shall include Lessee's successor in bankruptcy, whether a trustee, Lessee as debtor in possession or other responsible person.

34. **Attorneys' Fees.** In the event of any judicial or other adversarial proceeding concerning this Lease, to the extent permitted by Law, Lessor shall be entitled to recover all of its reasonable attorneys' fees and other Costs in addition to any other relief to which it may be entitled. In addition, Lessor shall, upon demand, be entitled to all attorneys' fees and all other Costs incurred in the preparation and service of any notice or demand hereunder, whether or not a legal action is subsequently commenced.

35. **Memorandum of Lease.** Concurrently with the execution of this Lease, Lessor and Lessee are executing Lessor's standard form memorandum of lease in recordable form, indicating the names and addresses of Lessor and Lessee, a description of the Property, the Lease Term and Lessee's right of first refusal, but omitting Rentals and such other terms of this Lease as Lessor may not desire to disclose to the public. Further, upon Lessor's request, Lessee agrees to execute and acknowledge a termination of lease and/or quit claim deed in recordable form to be held by Lessor until the expiration or sooner termination of the Lease Term.

36. **No Brokerage.** Lessor and Lessee represent and warrant to each other that they have had no conversation or negotiations with any broker concerning the leasing of the Property. Each of Lessor and Lessee agrees to protect, indemnify, save and keep harmless the other, against and from all liabilities, claims, losses, Costs, damages and expenses, including attorneys' fees, arising out of, resulting from or in connection with their breach of the foregoing warranty and representation.

37. **Waiver of Jury Trial and Punitive, Consequential, Special and Indirect Damages.** Lessor and Lessee hereby knowingly, voluntarily and intentionally waive the right either may have to a trial by jury with respect to any and all issues presented in any action, proceeding, claim or counterclaim brought by either of the parties hereto against the other or its successors with respect to any matter arising out of or in connection with this Lease, the relationship of Lessor and Lessee, Lessee's use or occupancy of the Property, and/or any claim for injury or damage, or any emergency or statutory remedy. This waiver by the parties hereto of any right either may have to a trial by jury has been negotiated and is an essential aspect of their bargain. Furthermore, Lessor and Lessee hereby knowingly, voluntarily and intentionally waive the right they may have to seek punitive, consequential, special and indirect damages from the other party and any of the affiliates, officers, directors, members, managers or employees of the other party or any of their successors with respect to any and all issues presented in any action, proceeding, claim or counterclaim brought by either of them against the other party or any of the affiliates, officers, directors, members, managers or employees of the other party or any of their successors with respect to any matter arising out of or in connection with this Lease or any document contemplated herein or related hereto. The waiver by Lessor and Lessee of any right they may have to seek punitive, consequential, special and indirect damages has been negotiated by the parties hereto and is an essential aspect of their bargain.

38. **Guaranty**. On or before the Effective Date, Lessee shall cause Guarantor to execute and deliver to Lessor the Guaranty.

39. **Securitizations and Other Transactions.** As a material inducement to Lessor's willingness to complete the transactions contemplated by this Lease and the other Transaction Documents, Lessee hereby acknowledges and agrees that Lessor may, from time to time and at any time (A) act or permit another Person to act as sponsor, settler, transferor or depositor of, or a holder of interests in, one or more Persons or other arrangements formed pursuant to a trust agreement, indenture, pooling agreement, participation agreement, sale and servicing agreement, limited liability company agreement, partnership agreement, articles of incorporation or similar agreement or document; and (B) permit one or more of such Persons or arrangements to offer and sell stock, certificates, bonds, notes, other evidences of indebtedness or securities that are directly or indirectly secured, collateralized or otherwise backed by or represent a direct or indirect interest in whole or in part in any of the assets, rights or properties described in

Section 23.A of this Lease, in one or more Persons or arrangements holding such assets, rights or properties, or any of them (collectively, the "Securities"), whether any such Securities are privately or publicly offered and sold, or rated or unrated (any combination of which actions and transactions described in both clauses (A) and (B) in this paragraph, whether proposed or completed, are referred to in this Lease as a "Securitization"). Lessee shall cooperate fully with Lessor and any Affected Party with respect to all reasonable requests and due diligence procedures and to use reasonable efforts to facilitate such Securitization, including without limitation, providing for inclusion in any prospectus or other Securities offering material such documents, financial and other data, and other information and materials which would customarily be required with respect to Lessee by a purchaser, transferee, assignee, servicer, participant, investor or rating agency involved with respect to such Securitization, and Lessee shall indemnify and hold harmless Lessor for any and all liabilities, losses and expenses arising under the Securities Act, or the Exchange Act, in connection with any material misstatement (or alleged misstatement) contained in such information provided in writing (including, without limitation, electronically) by Lessee or its officers, managers, members, employees, or agents, or any omission (or alleged omission) of a material fact by Lessee or its officers, managers, members, employees, or agents, the inclusion of which was necessary to make such written information not misleading, unless such material misstatement or alleged misstatement or omission or alleged omission is caused by Lessor or its directors, officers, managers, members, shareholders, employees, or agents. Lessee shall deliver to Lessor, any Affected Party and to any Person designated by Lessor, such statements and audit letters of reputable, independent certified public accountants pertaining to the written information provided by Lessee pursuant to this Section as shall be requested by Lessor or such Affected Party, as the case may be. Lessee also shall deliver to Lessor, any Affected Party and to any Person designated by Lessor or any Affected Party, such opinions of counsel (including without limitation, local counsel opinions), appraisals, environmental reports and zoning letters, or updates of any of the foregoing, as are customarily delivered in connection with Securitizations or as may be required by any rating agency in connection with any Securitization.

40. **Performance at Lessee's Expense**. Lessee acknowledges and confirms that Lessor may impose certain administrative, processing or servicing fees in connection with (a) any extension, renewal, modification, amendment and termination of this Lease, (b) any release of Property, (c) the procurement of certain consents, waivers and approvals with respect to the Property, (d) the review of any assignment or sublease or proposed assignment or sublease or the preparation or review of any subordination, non-disturbance agreement, (e) the collection, maintenance and/or disbursement of reserves created under this Lease or the other Transaction Documents, and (f) inspections required to make certain determinations under this Lease or the other Transaction Documents. Lessee further acknowledges and confirms that it shall be responsible for the payment of all costs of reappraisal of the Property or any part thereof, whether required by law, regulation, Lessor or any Governmental Authority. Lessee hereby acknowledges and agrees to pay, immediately upon demand, all such fees (as the same may be increased or decreased from time to time), and any additional fees of a similar type or nature which may reasonably be imposed by Lessor from time to time.

41. **Miscellaneous.**

A. *Time Is of the Essence.* Time is of the essence with respect to each and every provision of this Lease.

B. *Waiver and Amendment.* No provision of this Lease shall be deemed waived or amended except by a written instrument unambiguously setting forth the matter waived or amended and signed by the party against which enforcement of such waiver or amendment is sought. Waiver of any matter shall not be deemed a waiver of the same or any other matter on any future occasion. No acceptance by Lessor of an amount less than the Rental and other Monetary Obligations stipulated to be due under this Lease shall be deemed to be other than a payment on account of the earliest such Rental or other Monetary Obligations then due or in arrears nor shall any endorsement or statement on any check or letter accompanying any such payment be deemed a waiver of Lessor's right to collect any unpaid amounts or an accord and satisfaction.

C. *Successors Bound.* Except as otherwise specifically provided herein, the terms, covenants and conditions contained in this Lease shall bind and inure to the benefit of the respective heirs, successors, executors, administrators and assigns of each of the parties hereto.

D. *Captions.* Captions are used throughout this Lease for convenience of reference only and shall not be considered in any manner in the construction or interpretation hereof.

E. *Severability.* The provisions of this Lease shall be deemed severable. If any part of this Lease shall be held unenforceable by any court of competent jurisdiction, the remainder shall remain in full force and effect, and such unenforceable provision shall be reformed by such court so as to give maximum legal effect to the intention of the parties as expressed therein.

F. *Other Documents.* Each of the parties agrees to sign such other and further documents as may be necessary or appropriate to carry out the intentions expressed in this Lease.

G. *Entire Agreement.* This Lease and any other instruments or agreements referred to herein, constitute the entire agreement between the parties with respect to the subject matter hereof, and there are no other representations, warranties or agreements except as herein provided.

H. *Forum Selection; Jurisdiction; Venue; Choice of Law.* For purposes of any action or proceeding arising out of this Lease, the parties hereto expressly submit to the jurisdiction of all federal and state courts located in the State of Arizona. Lessee consents that it may be served with any process or paper by registered mail or by personal service within or without the State of Arizona in accordance with applicable law. Furthermore, Lessee waives and agrees not to assert in any such action, suit or proceeding that it is not personally subject to the jurisdiction of such courts, that the action, suit or proceeding is brought in an inconvenient forum or that venue of the action, suit or proceeding is improper.

I. *Counterparts.* This Lease may be executed in one or more counterparts, each of which shall be deemed an original.

42. **Corporate Fixed Change Coverage Ratio**. For purposes of this Agreement and the Guaranty, the term "CFCCR" shall mean with respect to the twelve month period of time immediately preceding the date of determination, the ratio calculated for such period of time, each as determined in accordance with GAAP, of (i) the sum of Net Income, Depreciation and Amortization, Interest Expense and Operating Lease Expense, to (ii) the sum of Operating Lease Expense, scheduled principal payments of long term Debt, scheduled maturities of all Capital Leases, dividends and Interest Expense (excluding non cash interest expense and amortization of non cash financing expenses). For purposes of calculating the CFCCR, the following terms shall be defined as set forth below:

"*Capital Lease*" shall mean all leases of any property, whether real, personal or mixed, by Lessee or any of the other Lessee Entities, as applicable, which leases would, in conformity with GAAP, be required to be accounted for as a capital lease on the balance sheet of Lessee. The term "Capital Lease" shall not include any operating lease.

"*Debt*" shall mean with respect to Lessee and the other Lessee Entities, collectively, and for the period of determination (i) indebtedness for borrowed money, (ii) subject to the limitation set forth in sub item (iv) below, obligations evidenced by bonds, indentures, notes or similar instruments, (iii) obligations under leases which should be, in accordance with GAAP, recorded as Capital Leases, and (iv) obligations under direct or indirect guarantees in respect of, and obligations (contingent or otherwise) to purchase or otherwise acquire, or otherwise to assure a creditor against loss in respect of, indebtedness or obligations of others of the kinds referred to in clauses (i) through (iv) above, except for guaranty obligations of Lessee and/or the other Lessee Entities which, in conformity with GAAP, are not included on the balance sheet of Lessee and/or the other Lessee Entities.

"*Depreciation and Amortization*" shall mean the depreciation and amortization accruing during any period of determination with respect to Lessee and the other Lessee Entities, collectively, as determined in accordance with GAAP.

"*Interest Expense*" shall mean for any period of determination, the sum of all interest accrued or which should be accrued in respect of all Debt of Lessee and the other Lessee Entities, collectively, as determined in accordance with GAAP.

"*Net Income*" shall mean with respect to the period of determination, the net income or net loss of Lessee and the other Lessee Entities, collectively. In determining the amount of Net Income, (i) adjustments shall be made for nonrecurring gains and losses or non cash items allocable to the period of determination, (ii) deductions shall be made for, among other things, Depreciation and Amortization, Interest Expense, Operating Lease Expense, and (iii) no deductions shall be made for income taxes or charges equivalent to income taxes allocable to the period of determination, as determined in accordance with GAAP.

"*Operating Lease Expense*" shall mean the sum of all payments and expenses incurred by Lessee and the other Lessee Entities, collectively, under any operating leases during the period of determination, as determined in accordance with GAAP.

43. **Right of First Refusal/Third Party Offer**.

A. *Offer*. Subject to the terms and conditions set forth in this Section 43 (including, without limitation, the condition set forth in Section 43.C(i)(5) below), any time during the Lease Term, if Lessor desires to sell the Property and receives a bona fide written offer from a third party which offer is in all respects acceptable to Lessor, Lessor shall deliver a complete copy of such bona fide third party offer to Lessee ("Third Party Offer"). Upon Lessee's receipt of such Third Party Offer from Lessor, and a written statement of Lessor's desire to sell the Property in accordance with such Third Party Offer, Lessee shall have the right to deliver an offer to Lessor (each, a "Purchase Offer") to purchase Lessor's interest in the Property for the amount of the bona fide third party offer to purchase the Property (the "Subject Purchase Price"). If Lessee delivers a Purchase Offer, then Lessee shall complete such purchase, subject to the satisfaction of each of the terms and conditions set forth in Section 43.B below.

B. *Conditions Precedent*.

(i) The purchase of Lessor's interest in the Property pursuant to Section 43.A shall be subject to the fulfillment of all of the following terms and conditions: (1) no Event of Default shall have occurred and be continuing under this Lease or other Transaction Documents; (2) Lessee shall have paid to Lessor the Subject Purchase Price, together with all Rental and other Monetary Obligations then due and payable under this Lease as of the date of the closing of such purchase; (3) in addition to payment of the Subject Purchase Price, Lessee shall have satisfied its obligations under Section 43.C below; and (4) the date of the closing of such purchase shall occur on the next scheduled Base Monthly Rental payment date following Lessor's receipt of the Purchase Offer.

(ii) On the date of the closing of the purchase of the Property pursuant to this Section (the "Purchase Closing Date"), subject to satisfaction of the foregoing conditions: (1) this Lease shall be deemed terminated; provided, however, such termination shall not limit Lessee's obligations to Lessor under any indemnification provisions of this Lease (including, without limitation, Sections 12.D(v) and 15 of this Lease) and Lessee's obligations to pay any Monetary Obligations (whether payable to Lessor or a third party) accruing under this Lease prior to the Purchase Closing Date shall survive the termination of this Lease; and (2) Lessor shall convey the Property to Lessee or, at Lessee's request, the third party offeree "as is" by special warranty deed, subject to all matters of record (except for any consensual liens granted by Lessor other than those granted by Lessor at the request of Lessee), and without representation or warranty.

C. *Costs*. Lessee shall be solely responsible for the payment of all Costs resulting from any proposed purchase pursuant to this Section 43, regardless of whether the purchase is consummated, including, without limitation, to the extent applicable, the cost of title insurance and endorsements, including, survey charges, stamp taxes, mortgage taxes, transfer taxes and fees, escrow and recording fees, taxes imposed on Lessor as a result of such purchase, the attorneys' fees of Lessee and the reasonable attorneys' fees and expenses of counsel to Lessor.

D. *Termination of Right*. NOTWITHSTANDING ANYTHING TO THE CONTRARY, LESSEE'S RIGHTS UNDER THIS SECTION 43 SHALL TERMINATE AND BE NULL AND VOID AND OF NO FURTHER FORCE AND EFFECT IF (i) LESSEE FAILS TO EXERCISE THE RIGHT GRANTED PURSUANT TO THIS SECTION 43, AND THE SALE TO THE THIRD PARTY PURCHASER IS CONSUMMATED; (ii) THIS LEASE TERMINATES OR THE LEASE TERM EXPIRES; (iii) THE PROPERTY IS SOLD OR TRANSFERRED PURSUANT TO THE EXERCISE OF A PRIVATE POWER OF SALE OR JUDICIAL FORECLOSURE OR ACCEPTANCE OF A DEED IN LIEU THEREOF; OR (iv) LESSEE SHALL BE IN DEFAULT OF ANY OF THE TERMS AND CONDITIONS OF THIS LEASE. IN ANY SUCH EVENT, LESSEE SHALL EXECUTE A QUITCLAIM DEED AND SUCH OTHER DOCUMENTS AS LESSOR SHALL REASONABLY REQUEST EVIDENCING THE TERMINATION OF ITS RIGHT UNDER THIS SECTION 43.

E. *Attornment*. If Lessee does not deliver its Purchase Offer to purchase the Property and the Property is transferred to a third party purchaser, Lessee will attorn to any third party purchaser as Lessor so long as such third party purchaser and Lessor notify Lessee in writing of such transfer. At the request of Lessor, Lessee will execute such documents confirming the agreement referred to above and such other agreements as Lessor may reasonably request, provided that such agreements do not increase the liabilities and obligations of Lessee hereunder.

F. *Exclusions*. The provisions of this Section 43 shall not apply to or prohibit (i) any mortgages or other hypothecation of Lessor's interest in the Property; (ii) any sale of the Property pursuant to a private power of sale under or judicial foreclosure of any mortgage or other security instrument or device to which Lessor's interest in the Property is now or hereafter subject; (iii) any transfer of Lessor's interest in the Property to a mortgagee or other holder of a security interest therein or their designees by deed in lieu of foreclosure; (iv) any transfer of the Property to any governmental or quasi governmental agency with power of Condemnation; (v) any transfer of the Property to any Affiliate of Lessor; (vi) any transfers of interests in Lessor by any member, shareholder, partner or other owner to any other member, shareholder, partner or other owner; (vii) any transfers to any Person to whom Lessor sells all or substantially all of its assets; (viii) any transfers to any Person in connection with the transactions described in Section 23 of this Lease; or (ix) any transfer of the Property to any of the successors or assigns of any of the Persons referred to in this Section 43.F.

44. **Tenant Improvements**.

A. *Projects*. Lessor shall pay to Lessee funds in an aggregate amount not to exceed Five Million Two Hundred Fifty Thousand and 00/100 Dollars ($5,250,000.00) plus an amount equal to (i) $1,000,000.00 minus (ii) the Contingent Purchase Price, if any, paid by Lessor pursuant to the Purchase and Sale Agreement (collectively, the "Project Funds") for the construction, completion, rehabilitation, renovation or installation of improvements to the Property related to the operation of the Permitted Facility that are expressly approved in writing by Lessor, which approval shall not be unreasonably withheld, conditioned or delayed (each, a "Project"). In the event that Lessor fails to approve or reject any proposed Project within ten (10) business days of receipt of all information required by Lessor in its sole and absolute discretion in connection with such proposed Project, Lessor shall be deemed to approve of such proposed Project. Prior to the commencement of any proposed Project, Lessee shall submit to Lessor a written request for approval together with any information reasonably requested by Lessor. Upon Lessor's written approval of any Project, which approval shall be in the sole and absolute discretion of Lessor, Lessor shall disburse the requested Project Funds in accordance with Lessor's standard disbursement procedures, the nature of which shall be commensurate with the nature of the Project. Lessor reserves the right to utilize the services of a construction management firm in connection with any approved Project. Lessor further reserves the right to require Lessee to enter into one or more written agreements to govern the disbursement of any Project Funds. All reasonable costs and expenses incurred by Lessor with respect to any Project, including, without limitation, attorneys' fees, construction management fees, inspection costs and title insurance policy endorsement fees, shall be paid by Lessee and all such costs and expenses may be withheld from the Project Funds in Lessor's discretion. Lessor and Lessee acknowledge and agree that the Project Funds will be available to Lessee only for Projects approved by Lessor within two (2) years from the date hereof. Notwithstanding the foregoing, Lessor and Lessee acknowledge and agree that the schedule attached hereto as Exhibit D provides the general understanding of Lessor and Lessee regarding the type of Projects to be approved, the required Project Funds for such Projects and the distribution process related thereto. All Projects shall constitute part of the Property and shall be owned Lessor.

B. *Rent Adjustments*.

(i) Immediately upon the disbursement of any Project Funds, Base Annual Rental shall be adjusted by an amount equal to an amount based on the amortization of such Project Funds over the remaining balance of the Initial Term of the Lease with an interest factor in effect at the time of disbursement.

(ii) Immediately upon Lessor's payment of any portion of the Contingent Purchase Price pursuant to the Purchase and Sale Agreement, Base Annual Rental shall be increased by an amount equal to the product of: (A) the quotient of (1) the sum of (i) the Fixed Purchase Price plus (ii) such portion of the Contingent Purchase Price divided by (2) the Fixed Purchase Price; times (B) the Base Annual Rental.

C. *Hold Back.* Lessor shall have the option to hold back $2,000,000 of the Project Funds and shall have no obligation to release said funds unless and until Guarantor extends the term of the Letter of Credit (as that term is described in the Guaranty) or replaces such Letter of Credit with another letter of credit, acceptable to Lessor in its sole discretion, as required under the terms of Section 18 of the Guaranty.

45. **Option to Purchase.** Lessee shall have the option after the fourth (4th) anniversary of the Effective Date to give Lessor notice (the "Option Notice") of Lessee's election to purchase the Property for the greater of (i) its fair market value (which fair market value shall be determined in accordance with Section 19 above) or (ii) Lessor's Total Investment. The closing for such purchase must occur within ninety days following Lessor's

receipt of the Option Notice if such appraisal has been received and, if not, a day for day extension will be allowed until the appraisal is received.

Upon exercise of this option, Lessor and Lessee shall open a new escrow account with a recognized title insurance company selected by mutual agreement of the parties. Such escrow shall be subject to the standard escrow instructions of the escrow agent, to the extent they are not inconsistent herewith. At or before the close of escrow, Lessor shall deliver to the escrow agent its limited warranty deed conveying to Lessee all of Lessor's right, title and interest in the Property free and clear of all liens and encumbrances except liens for taxes and assessments and easements, covenants and restrictions of record which were attached to the Property as of the date hereof, attached during the term of the Lease through Lessee's action or inaction, as the case may be, have been granted by Lessor in lieu of a taking by the power of eminent domain or the like, or have been approved by Lessee. In the event Lessor is unable to convey title as required, Lessee shall have the right to accept such title as Lessor can convey or elect not to consummate its exercise of the option. Both Lessor and Lessee agree to execute a purchase agreement, escrow instructions and such other instruments as may be necessary or appropriate to consummate the sale of the Property in the manner herein provided. All Costs incurred in connection with Lessee's exercise of the option, including, but not limited to, escrow fees, title insurance fees, recording costs or fees, reasonable attorneys' fees (including those of the Lessor), appraisal fees, stamp taxes and transfer fees shall be borne by Lessee. Lessee shall continue to pay and perform all of its obligations under this Lease until the close of escrow. The purchase price paid by Lessee in exercising this option shall be paid to Lessor or to such person or entity as Lessor may direct at closing in immediately available funds. The closing date may be extended for a reasonable period of time to permit Lessor to cure title defects or to permit either party to cure any other defects or defaults provided each party is diligently seeking to cure such defect or default and Lessee continues to perform its obligations hereunder. In the case of any mortgage or other monetary lien arising by, through or under Lessor (but not arising by, through or under Lessee), the escrow agent shall first apply the purchase price to the payment of such mortgage or monetary lien, and the balance shall be paid over to Lessor at closing.

Lessee shall not have the right to exercise this option or consummate the exercise thereof if at the time of exercise or consummation, an Event of Default exists or is continuing.

Lessee may not sell, assign, transfer, hypothecate or otherwise dispose of the option granted herein or any interest therein, except in conjunction with a permitted assignment of Lessee's entire interest herein and then only to the assignee thereof. Any attempted assignment of this option which is contrary to the terms of this Section shall be deemed to be an Event of Default under this Lease and the option granted herein shall be void.

Notwithstanding the foregoing, the purchase option described in this Section shall be null and void in the event that Lessor determines, in its sole and absolute discretion, that the sale of the Property would cause Lessor to recognize income or gain from a "prohibited transaction" as defined under Section 857(b)(6) of the Internal Revenue Code of 1986, as amended.

IN WITNESS WHEREOF, Lessor and Lessee have entered into this Lease as of the date first above written.

LESSOR:

SPIRIT FINANCE ACQUISITIONS, LLC,
a Delaware limited liability company

By: /s/ Gregg A. Seibert
Printed Name: Gregg A. Seibert
Title: Senior Vice President

LESSEE:

SIGNIFICANT EDUCATION, LLC,
a Delaware limited liability company

By: /s/ Brent Richardson
Printed Name: Brent Richardson
Title: Chief Executive Officer
Tax Identification No.: ______________________

[Signature Page To Lease Agreement]

STATE OF ARIZONA	)	
	)	ss
COUNTY OF MARICOPA	)	

The foregoing instrument was acknowledged before me on June 25, 2004 by Gregg A. Seibert, Senior Vice President of **Spirit Finance Acquisitions, LLC**, a Delaware limited liability company, on behalf of the company.

/s/ Sandra L. Cardon
Notary Public

My Commission Expires:

November 28, 2004

[SEAL]

STATE OF ARIZONA	)	
	)	ss
COUNTY OF MARICOPA	)	

The foregoing instrument was acknowledged before me on June 26, 2004 by Brent Richardson, Chief Executive Officer of **Significant Education, LLC**, a Delaware limited liability company on behalf of the company.

/s/ Deborah Kent
Notary Public

My Commission Expires:

October 6, 2005

[SEAL]

[Signature Page to Lease Agreement]

EXHIBIT A

DEFINED TERMS

The following terms shall have the following meanings for all purposes of this Lease:

"*ADA*" has the meaning set forth in Section 12.C.

"*Additional Rental*" has the meaning set forth in Section 4.D.

"*Adjustment Date*" means the first anniversary of the last day of the last calendar month of the first year of the Initial Term, and every second annual anniversary thereafter during the Lease Term (including any Extension Term).

"*Affected Party*" means each direct or indirect participant or investor in a proposed or completed Securitization, including, without limitation, any prospective owner, any rating agency or any party to any agreement executed in connection with the Securitization.

"*Affiliate*" means any Person which directly or indirectly controls, is under common control with or is controlled by any other Person. For purposes of this definition, "controls", "under common control with", and "controlled by" means the possession, directly or indirectly, of the power to direct or cause the direction of the management and policies of such Person, whether through the ownership of voting securities or otherwise.

"*Assignee*" has the meaning set forth in Section 23.B.

"*Bankruptcy Code*" means the United States Bankruptcy Code, 11 U.S.C. Sec. 101 *et seq*., as amended.

"*Base Annual Rental*" means $2,808,750.00.

"*Base Monthly Rental*" means an amount equal to 1/12 of the applicable Base Annual Rental.

"*Business Day*" means a day on which banks located in Scottsdale, Arizona are not required or authorized to remain closed.

"*Casualty*" means any loss of or damage to any property included within or related to the Property or arising from an adjoining property caused by fire, flood or other casualty.

"*CFCCR*" has the meaning set forth in Section 42.

"*Code*" means the Internal Revenue Code of 1986, as the same may be amended from time to time.

"*Condemnation*" means a Taking and/or a Requisition.

"*Contingent Purchase Price*" has the meaning set forth in the Purchase and Sale Agreement.

“*Costs*” means all reasonable costs and expenses incurred by a Person, including without limitation, reasonable attorneys’ fees and expenses, court costs, expert witness fees, costs of tests and analyses, travel and accommodation expenses, deposition and trial transcripts, copies and other similar costs and fees, brokerage fees, escrow fees, title insurance premiums, appraisal fees, stamp taxes, recording fees and transfer taxes or fees, as the circumstances require.

“*current actual knowledge*”, as it relates to Lessee, means the current actual knowledge of an officer of the Lessee.

“*Default Rate*” means 12% per annum or the highest rate permitted by law, whichever is less.

“*Early Termination Date*” has the meaning set forth in Section 18.C(ii)(1).

“*Effective Date*” has the meaning set forth in the introductory paragraph of this Lease.

“*Environmental Laws*” means all federal, state and local laws, ordinances, common law requirements and regulations and standards, rules, policies and other governmental requirements, administrative rulings and court judgments and decrees having the effect of law in effect now or in the future and including all amendments, that relate to Hazardous Materials and/or the protection of human health or the environment and apply to Lessee and/or the Property.

“*Environmental Liens*” has the meaning set forth in Section 12.D(i)(2).

“*Event of Default*” has the meaning set forth in Section 20.A.

“*Exchange Act*” has the meaning set forth in Section 31.B(iv).

“*Expiration Date*” has the meaning set forth in Section 3.

“*Extension Option*” has the meaning set forth in Section 3.

“*Extension Term*” has the meaning set forth in Section 3.

“Fixed Purchase Price” means the gross purchase price paid for the Property by Lessor on the “Closing Date” defined and described in the Purchase and Sale Agreement.

“*Force Majeure Event*” has the meaning set forth in Section 29.

“*Governmental Authority*” means any governmental authority, agency, department, commission, bureau, board, instrumentality, court or quasi-governmental authority of the United States, any state or any political subdivision thereof with authority to adopt, modify, amend, interpret, give effect to or enforce any federal, state and local laws, statutes, ordinances, rules or regulations, including common law, or to issue court orders.

“*Guarantor*” means, collectively, Brent Richardson and Christopher Richardson, or any other additional or replacement guarantor approved by Lessor in its sole and absolute discretion.

"*Guaranty*" means that certain Unconditional Guaranty of Payment and Performance dated as of the date hereof between Guarantor and Lessor.

"*Hazardous Materials*" includes: (a) oil, petroleum products, flammable substances, explosives, radioactive materials, hazardous wastes or substances, toxic wastes or substances or any other materials, contaminants or pollutants which pose a hazard to the Property or to Persons on or about the Property, cause the Property to be in violation of any local, state or federal law or regulation, (including without limitation, any Environmental Law), or are defined as or included in the definition of "hazardous substances", "hazardous wastes", "hazardous materials", "toxic substances", "contaminants", "pollutants", or words of similar import under any applicable local, state or federal law or under the regulations adopted, orders issued, or publications promulgated pursuant thereto, including, but not limited to: (i) the Comprehensive Environmental Response, Compensation and Liability Act of 1980, as amended, 42 U.S.C. §9601, et seq.; (ii) the Hazardous Materials Transportation Act, as amended, 49 U.S.C. §1801, et seq.; (iii) the Resource Conservation and Recovery Act, as amended, 42 U.S.C. §6901, et seq.; and (iv) regulations adopted and publications promulgated pursuant to the aforesaid laws; (b) asbestos in any form which is or could become friable, urea formaldehyde foam insulation, transformers or other equipment which contain dielectric fluid containing levels of polychlorinated biphenyls in excess of fifty (50) parts per million; (c) underground storage tanks; and (d) any other chemical, material or substance, exposure to which is prohibited, limited or regulated by any governmental authority or which may or could pose a hazard to the health and safety of the occupants of the Property or the owners and/or occupants of any adjoining property.

"*Indemnified Parties*" means Lessor, and its directors, officers, shareholders, partners, members, employees, agents, servants, representatives, contractors, subcontractors, affiliates, subsidiaries, participants, successors and assigns, including, but not limited to, any successors by merger, consolidation or acquisition of all or a substantial portion of the assets and business of Lessor.

"*Initial Term*" has the meaning set forth in Section 3.

"*Insolvency Event*" means (a) Lessee's (i) failure to generally pay its debts as such debts become due; (ii) admitting in writing its inability to pay its debts generally; or (iii) making a general assignment for the benefit of creditors; (b) any proceeding being instituted by or against Lessee (i) seeking to adjudicate it a bankrupt or insolvent; (ii) seeking liquidation, winding up, reorganization, arrangement, adjustment, protection, relief, or composition of it or its debts under any law relating to bankruptcy, insolvency, or reorganization or relief of debtors; or (iii) seeking the entry of an order for relief or the appointment of a receiver, trustee, or other similar official for it or for any substantial part of its property, and in the case of any such proceeding instituted against Lessee, either such proceeding shall remain undismissed for a period of one hundred twenty (120) days or any of the actions sought in such proceeding shall occur; or (c) Lessee taking any corporate action to authorize any of the actions set forth above in this definition.

"*Law(s)*" means any constitution, statute, rule of law, code, ordinance, order, judgment, decree, injunction, rule, regulation, policy, requirement or administrative or judicial determination, even if unforeseen or extraordinary, of every duly constituted Governmental Authority, court or agency, now or hereafter enacted or in effect.

"*Lease Term*" shall have the meaning described in Section 3.

"*Legal Requirements*" means the requirements of all present and future Laws (including without limitation, Environmental Laws and Laws relating to accessibility to, usability by, and discrimination against, disabled individuals), all judicial and administrative interpretations thereof, including any judicial order, consent, decree or judgment, and all covenants, restrictions and conditions now or hereafter of record which may be applicable to Lessee or to the Property, or to the use, manner of use, occupancy, possession, operation, maintenance, alteration, repair or restoration of the Property, even if compliance therewith necessitates structural changes or improvements or results in interference with the use or enjoyment of the Property.

"*Lessee Entities*" means, collectively, Lessee and all Affiliates of Lessee.

"*Lessor Entities*" means, collectively, Lessor and all Affiliates of Lessor.

"*Lessor's Total Investment*" means, with respect to any Property, the sum of (a) the gross purchase price paid for the Property by Lessor (or Lessor's predecessor-in-interest) (including, without limitation, any mortgage debt incurred or assumed in connection therewith and any Contingent Purchase Price paid by Lessor), plus (b) all amounts disbursed pursuant to Section 44, plus (c) the closing costs and expenses incurred by Lessor (or Lessor's predecessor-in-interest) with respect to the purchase of the Property.

"*Loss Value*" has the meaning set forth in Section 18.C(ii).

"*Losses*" means any and all claims, suits, liabilities (including, without limitation, strict liabilities), actions, proceedings, obligations, debts, damages, losses, Costs, diminutions in value, fines, penalties, interest, charges, fees, judgments, awards, amounts paid in settlement and damages of whatever kind or nature (including, without limitation, attorneys' fees and other Costs of defense).

"*Material Adverse Effect*" means a material adverse effect on (i) the Property, including, without limitation, the operation of the Property as a Permitted Facility and/or the value of the Property, (ii) Lessee's ability to perform its obligations under this Lease, or (iii) Lessor's interests in the Property, this Lease or the other Transaction Documents.

"*Monetary Obligations*" means all Rental and all other sums payable or reimbursable by Lessee under this Lease to Lessor, to any third party on behalf of Lessor, or to any Indemnified Party.

"*Net Award*" means (a) the entire award payable with respect to the Property by reason of a Condemnation whether pursuant to a judgment or by agreement or otherwise, or (b) the entire proceeds of any insurance required under Section 10 payable with respect to the Property, as the case may be, and in either case, less any Costs incurred by Lessor in collecting such award or proceeds.

"*Notices*" has the meaning set forth in Section 24.

"*OFAC List*" means the list of specially designated nationals and blocked persons subject to financial sanctions that is maintained by the U.S. Treasury Department, Office of Foreign Assets Control and any other similar list maintained by the U.S. Treasury Department, Office of Foreign Assets Control pursuant to any Legal Requirements, including, without limitation, trade embargo, economic sanctions, or other prohibitions imposed by Executive Order of the President of the United States. The OFAC List currently is accessible through the internet website www.treas.gov/ofac/t11sdn.pdf.

"Option Notice" has the meaning set forth in Section 45.

"*Other Agreements*" means, collectively, all agreements and instruments now or hereafter entered into between, among or by (1) any of the Lessee Entities, and, or for the benefit of, (2) any of the Lessor Entities, including, without limitation, leases, promissory notes and guaranties, but excluding this Lease and all other Transaction Documents.

"*Partial Casualty*" has the meaning set forth in Section 18.B.

"*Partial Condemnation*" has the meaning set forth in Section 18.B.

"*Permitted Amounts*" shall mean, with respect to any given level of Hazardous Materials, that level or quantity of Hazardous Materials in any form or combination of forms which does not constitute a violation of any Environmental Laws and is customarily employed in, or associated with, similar businesses located in the State.

"*Permitted Encumbrances*" shall mean those covenants, restrictions, reservations, liens, conditions, encroachments, easements and other matters of title that affect the Property as of the date of Lessor's acquisition thereof and those items which hereafter affect title as permitted under this Lease.

"*Permitted Facility*" means a college or university, which initially is the Grand Canyon University, and all lawful activities related thereto, including without limitation, other schools ancillary to a college or university, such as a high school or prep school, and ministry and related facilities, consistent with the history and mission of Grand Canyon University.

"*Person*" means any individual, partnership, corporation, limited liability company, trust, unincorporated organization, Governmental Authority or any other form of entity.

"*Personalty*" has the meaning set forth in Section 26.

"Project" has the meaning set forth in Section 44.

"Project Funds" has the meaning set forth in Section 44.

"*Property*" means, that certain real property legally described on Exhibit B attached hereto, all rights, privileges, and appurtenances associated therewith, all buildings, fixtures and other improvements now or hereafter located on such real estate (whether or not affixed to such real estate).

"Purchase and Sale Agreement" means that certain Purchase and Sale Agreement of even date herewith by and between Grand Canyon University Institute for the Advanced Studies, an Arizona non-profit corporation, as seller, and Lessor, as purchaser (pursuant to that certain Assignment and Assumption of Lease Agreement of even date herewith by and between Significant Education, LLC, a Delaware limited liability company, as assignor, and Lessor, as assignee, pursuant to which Significant Education, LLC assigned all of its right, title and interest in and to the Purchase and Sale Agreement to Lessor).

"*REIT*" means a real estate investment trust as defined under Section 856 of the Code.

"*Rejectable Purchase Closing Date*" has the meaning set forth in Section 43.C(ii).

"*Rejectable Purchase Offer*" has the meaning set forth in Section 43.A.

"*Rejectable Offer*" has the meaning set forth in Section 18.C(ii)(3).

"*Release*" means any presence, release, deposit, discharge, emission, leaking, spilling, seeping, migrating, injecting, pumping, pouring, emptying, escaping, dumping, disposing or other movement of Hazardous Materials.

"*Remediation*" means any response, remedial, removal, or corrective action, any activity to cleanup, detoxify, decontaminate, contain or otherwise remediate any Hazardous Material, any actions to prevent, cure or mitigate any Release, any action to comply with any Environmental Laws or with any permits issued pursuant thereto, any inspection, investigation, study, monitoring, assessment, audit, sampling and testing, laboratory or other analysis, or any evaluation relating to any Hazardous Materials.

"*Rental*" means, collectively, the Base Annual Rental and the Additional Rental.

"*Rent Adjustment*" has the meaning in Section 4.BB.

"*Requisition*" means any temporary requisition or confiscation of the use or occupancy of the Property by any Governmental Authority, civil or military, whether pursuant to an agreement with such Governmental Authority in settlement of or under threat of any such requisition or confiscation, or otherwise.

"*Securities*" has the meaning set forth in Section 39.

"*Securities Act*" has the meaning set forth in Section 31.B(iv).

"*Securitization*" has the meaning set forth in Section 39.A.

"*State*" means the State of Arizona.

"*Subject Purchase Price*" has the meaning set forth in Section 43.A.

"*Successor Lessor*" has the meaning set forth in Section 21.

"*Taking*" means (a) any taking or damaging of all or a portion of the Property (i) in or by condemnation or other eminent domain proceedings pursuant to any Law, general or special, or (ii) by reason of any agreement with any condemnor in settlement of or under threat of any such condemnation or other eminent domain proceeding, or (iii) by any other means, or (b) any de facto condemnation. The Taking shall be considered to have taken place as of the later of the date actual physical possession is taken by the condemnor, or the date on which the right to compensation and damages accrues under the law applicable to the Property.

"*Termination Notice*" has the meaning set forth in Section 18.C(ii).

"*Terrorism Laws*" means Executive Order 13224 issued by the President of the United States, the Terrorism Sanctions Regulations (Title 31 Part 595 of the U.S. Code of Federal Regulations), the Terrorism List Governments Sanctions Regulations (Title 31 Part 596 of the U.S. Code of Federal Regulations), the Foreign Terrorist Organizations Sanctions Regulations (Title 31 Part 597 of the U.S. Code of Federal Regulations), and the Cuban Assets Control Regulations (Title 31 Part 515 of the U.S. Code of Federal Regulations), and all other present and future federal, state and local laws, ordinances, regulations, policies, lists and any other requirements of any Governmental Authority (including, without limitation, the United States Department of the Treasury Office of Foreign Assets Control) addressing, relating to, or attempting to eliminate, terrorist acts and acts of war, each as hereafter supplemented, amended or modified from time to time, and the present and future rules, regulations and guidance documents promulgated under any of the foregoing, or under similar laws, ordinances, regulations, policies or requirements of other states or localities.

"*Third Party Offer*" has the meaning set forth in Section 43.A.

"*Threatened Release*" means a substantial likelihood of a Release which requires action to prevent or mitigate damage to the soil, surface waters, groundwaters, land, stream sediments, surface or subsurface strata, ambient air or any other environmental medium comprising or surrounding any Property which may result from such Release.

"*Total Casualty*" has the meaning set forth in Section 18.C.

"*Total Condemnation*" has the meaning set forth in Section 18.C.

"*Transaction Documents*" means this Lease, the Guaranty and all documents related thereto.

EXHIBIT B

LEGAL DESCRIPTION OF PROPERTY

Attached hereto are the true and correct legal descriptions of the Property.

PARCEL NO. 1:

THAT PART OF THE SOUTHWEST QUARTER OF SECTION 14, TOWNSHIP 2 NORTH, RANGE 2 EAST OF THE GILA AND SALT RIVER BASE AND MERIDIAN, MARICOPA COUNTY, ARIZONA, MORE PARTICULARLY DESCRIBED AS FOLLOWS:

COMMENCING AT THE SOUTHWEST CORNER OF SAID SECTION 14;

THENCE NORTH 89 DEGREES 57 MINUTES 00 SECONDS EAST ALONG THE SOUTH LINE OF SAID SOUTHWEST QUARTER OF SECTION 14, A DISTANCE OF 689.83 FEET;

THENCE LEAVING SAID SOUTH LINE, NORTH 00 DEGREES 03 MINUTES 00 SECONDS WEST, 40.00 FEET TO A POINT ON THE NORTH 40 FOOT RIGHT-OF-WAY LINE OF CAMELBACK ROAD, SAID POINT ALSO BEING THE TRUE POINT OF BEGINNING;

THENCE LEAVING SAID NORTH 40 FOOT RIGHT-OF-WAY LINE, NORTH 00 DEGREES 18 MINUTES 11 SECONDS WEST, 650.01 FEET ;

THENCE SOUTH 89 DEGREES 57 MINUTES 00 SECONDS WEST, 650.01 FEET TO A POINT ON THE EAST 40 FOOT RIGHT-OF-WAY LINE OF 35TH AVENUE;

THENCE ALONG SAID EAST 40 FOOT RIGHT-OF-WAY LINE, NORTH 00 DEGREES 18 MINUTES 11 SECONDS WEST, 649.77 FEET;

THENCE LEAVING SAID EAST 40 FOOT RIGHT-OF-WAY LINE, NORTH 89 DEGREES 41 MINUTES 49 SECONDS EAST, 50.00 FEET;

THENCE NORTH 00 DEGREES 18 MINUTES 11 SECONDS WEST, 50.00 FEET;

THENCE SOUTH 89 DEGREES 41 MINUTES 49 SECONDS WEST, 50.00 FEET TO A POINT ON SAID EAST 40 FOOT RIGHT-OF-WAY LINE;

THENCE ALONG SAID EAST 40 FOOT RIGHT-OF-WAY LINE, NORTH 00 DEGREES 18 MINUTES 11 SECONDS WEST, 186.36 FEET;

THENCE LEAVING SAID EAST 40 FOOT RIGHT-OF-WAY LINE, NORTH 89 DEGREES 53 MINUTES 58 SECONDS EAST, 279.00 FEET;

THENCE NORTH 00 DEGREES 18 MINUTES 11 SECONDS WEST, 413.41 FEET; THENCE SOUTH 85 DEGREES 07 MINUTES 27 SECONDS EAST, 684.34 FEET; THENCE NORTH 89 DEGREES 54 MINUTES 29 SECONDS FACT, 1630.12 I-tt ; THENCE SOUTH 00 DEGREES 01 MINUTES 05 SECONDS EAST, 353.82 FEET; THENCE SOUTH 89 DEGREES 53 MINUTES 58 SECONDS WEST, 430.00 FEET;

THENCE SOUTH 00 DEGREES 01 MINUTES 05 SECONDS EAST, 1538.01 FEET TO A POINT ON SAID NORTH 40 FOOT RIGHT-OF-WAY LINE OF CAMELBACK ROAD;

THENCE ALONG SAID NORTH 40 FOOT RIGHT-OF-WAY LINE, SOUTH 89 DEGREES 57 MINUTES 00 SECONDS WEST, 511.63 FEET;

THENCE I LEAVING SAID NORTH 40 FOOT RIGHT-OF-WAY LINE, NORTH 86 DEGREES 14 MINUTES 11 SECONDS WEST, 180.42 FEET TO A POINT ON THE NORTH 52 FOOT RIGHT-OF-WAY LINE OF CAMELBACK ROAD;

THENCE ALONG SAID NORTH 52 FOOT RIGHT-OF-WAY LINE, SOUTH 89 DEGREES 57 MINUTES 00 SECONDS WEST, 229.00 FEET;

THENCE LEAVING SAID NORTH 52 FOOT RIGHT-OF-WAY LINE, SOUTH 44 DEGREES 51 MINUTES 44 SECONDS WEST, 16.94 FEET TO A POINT ON SAID NORTH 40 FOOT RIGHT-OF-WAY LINE;

THENCE ALONG SAID NORTH 40 FOOT RIGHT-OF-WAY LINE, SOUTH 89 DEGREES 57 MINUTES 00 SECONDS WEST, 568.64 FEET TO THE TRUE POINT OF BEGINNING;

EXCEPT THAT PORTION DESCRIBED AS FOLLOWS:

COMMENCING AT THE WEST QUARTER CORNER OF SAID SECTION 14;

THENCE SOUTH 00 DEGREES 18 MINUTES 11 SECONDS EAST, 650.11 FEET ALONG THE WEST LINE OF SAID SECTION 14;

THENCE DEPARTING SAID WEST LINE, NORTH 89 DEGREES 41 MINUTES 49 SECONDS EAST, 319.00 FEET TO THE EAST LINE OF ME WEST 319.00 FEET OF SAID SECTION 14 AND THE POINT OF BEGINNING;

THENCE DEPARTING SAID EAST LINE OF THE WEST 319.00 FEET OF SECTION 14, SOUTH 85 DEGREES 07 MINUTES 27 SECONDS EAST, 684.34 FEET;

THENCE NORTH 89 DEGREES 54 MINUTES 29 SECONDS EAST, 1629.29 FEET TO THE NORTH-SOUTH MID-SECTION LINE OF SAID SECTION 14;

THENCE SOUTH 00 DEGREES 01 MINUTES 59 SECONDS EAST, 353.82 FEET ALONG SAID NORTH-SOUTH MID-SECTION LINE OF SECTION 14;

THENCE SOUTH 89 DEGREES 53 MINUTES 58 SECONDS WEST, 2309.17 FEET TO SAID EAST LINE OF THE WEST 319.00 FEET OF SECTION 14;

THENCE NORTH 0 DEGREES 18 MINUTES 11 SECONDS WEST, 413.43 FEET ALONG SAID FAST LINE OF THE WEST 319.00 FEET OF SECTION 14 TO THE POINT OF BEGINNING;

AND EXCEPT A TRACT OF LAND FOR A WELL SITE SITUATED IN THE NORTHWEST QUARTER OF THE SOUTHWEST QUARTER OF SECTION 14, TOWNSHIP 2 NORTH, RANGE 2 EAST OF THE GILA AND SALT RIVER BASE AND MERIDIAN, MARICOPA COUNTY, ARIZONA, MORE PARTICULARLY DESCRIBED AS FOLLOWS:

BEGINNING AT A POINT 1389.80 FEET NORTH AND 40.00 FEET EAST OF THE SOUTHWEST CORNER OF SAID SECTION 14;

THENCE NORTH 18.00 FEET;

THENCE EAST 50.00 FEET;

THENCE SOUTH 18.00 FEET;

THENCE WEST 50.00 FEET TO THE POINT OF BEGINNING.

PARCEL NO. 2:

THE NORTH 506.50 FEET OF THE EAST 430 FEET OF THE NORTHEAST QUARTER OF THE SOUTHWEST QUARTER OF SECTION 14, TOWNSHIP 2 NORTH, RANGE 2 EAST OF THE GILA AND SALT RIVER BASE AND MERIDIAN, MARICOPA COUNTY, ARIZONA;

EXCEPT THAT PORTION CONVEYED TO THE CITY OF PHOENIX BY QUIT CLAIM DEED RECORDED AUGUST 8, 1960 IN DOCKET 3376, PAGE 212: AND ALSO

EXCEPT THAT PORTION CONVEYED TO THE CITY OF PHOENIX BY QUIT CLAIM DEED RECORDED JULY 2, 2002 IN INSTRUMENT NO. 20020677117.

PARCEL NO. 3:

THAT PORTION OF THE NORTH HALF OF THE SOUTHWEST QUARTER OF SECTION 14, TOWNSHIP 2 NORTH, RANGE 2 EAST OF THE GILA AND SALT RIVER BASE AND MERIDIAN, MARICOPA COUNTY, ARIZONA, BEING MORE PARTICULARLY DESCRIBED AS FOLLOWS:

COMMENCING AT THE WEST QUARTER CORNER OF SAID SECTION 14;

THENCE SOUTH 00 DEGREES 18 MINUTES 11 SECONDS EAST, 650.11 FEET ALONG THE WEST LINE OF SAID SECTION 14;

THENCE DEPARTING SAID WEST LINE, NORTH 89 DEGREES 41 MINUTES 49 SECONDS EAST, 319.00 FEET TO THE EAST LINE OF THE WEST 319.00 OF SAID SECTION 14 AND THE POINT OF BEGINNING;

THENCE DEPARTING SAID EAST LINE OF THE WEST 319.00 FEET OF SECTION 14, SOUTH 85 DEGREES 07 MINUTES 27 SECONDS EAST, 684.34 FEET;

THENCE NORTH 89 DEGREES 54 MINUTES 29 SECONDS EAST, 1629.29 FEET TO THE NORTH-SOUTH MID-SECTION LINE OF SAID SECTION 14;

"THENCE SOUTH 00 DEGREES 01 MINUTES 59 SECONDS EAST, 353.82 FEET ALONG SAID NORTH-SOUTH MID-SECTION LINE OF SECTION 14;

THENCE SOUTH 89 DEGREES 53 MINUTES 58 SECONDS WEST, 2309.17 FEET TO SAID EAST LINE OF THE WEST 319.00 FEET OF SECTION 14;

THENCE NORTH 00 DEGREES 18 MINUTES 11 SECONDS WEST, 413A3 FEET ALONG SAID EAST LINE OF THE WEST 319.00 FEET OF SECTION 14 TO THE POINT OF BEGINNING;

EXCEPT THAT PORTION DESCRIBED AS FOLLOWS:

COMMENCING AT THE WEST QUARTER CORNER OF SAID SECTION 14;

THENCE SOUTH 00 DEGREES 18 MINUTES 11 SECONDS EAST ALONG THE WEST LINE OF SAID SOUTHWEST QUARTER OF SECTION 14, A DISTANCE OF 650.11 FEET;

THENCE LEAVING SAID WEST LINE, NORTH 89 DEGREES 41 MINUTES 49 SECONDS EAST, 319.00 FEET TO THE EAST LINE OF THE WEST 319.00 FEET OF SAID SOUTHWEST QUARTER OF SECTION 14;

THENCE LEAVING SAID EAST LINE, SOUTH 85 DEGREES 07 MINUTES 27 SECONDS, EAST 684.34 FEET;

THENCE NORTH 89 DEGREES 54 MINUTES 29 SECONDS EAST, 93.28 FEET TO THE TRUE POINT OF BEGINNING;

THENCE CONTINUING NORTH 89 DEGREES 54 MINUTES 29 SECONDS EAST, 601.41 FEET;

THENCE SOUTH 00 DEGREES 06 MINUTES 02 SECONDS EAST, 375.81 FEET; THENCE SOUTH 89 DEGREES 53 MINUTES 58 SECONDS WEST, 601.41 FEET; THENCE NORTH 00 DEGREES 06 MINUTES 02 SECONDS WEST, 375.70 FEET TO THE TRUE POINT OF BEGINNING.

EXHIBIT C

ENVIRONMENTAL DISCLOSURES

1. Anything described in Environmental Site Assessments, Inc.’s Phase I Environmental Site Assessment, dated June 17, 2004, Project Number 1297M.

2. Any item listed on Compliance and/or Condition of Property that fits the terms of this Schedule, including the information contained in the other schedules to this Asset Purchase Agreement.

EXHIBIT D

PROJECTS

Use	Dollar Amount	Doc	Payee	Estimated Timing	Process	Notes
Upgrade Apartments	$1,500,000	LSE	Lessee	Q2 2005 to Q2 2006	1	Occupied until next year
General Facilities Improvements	$1,000,000	LSE	Lessee	Q3 2004 to Q4 2004	1	Roadways, general
Infrastructure Build Out	$2,500,000	LSE	Lessee	Q3 2004 to Q3 2005	2	Ratably over one year
Campus Call Center Build Out	$250,000	LSE	Lessee	Q3 2004 to Q1 2006	3	70% in first six months, balance ratably
TOTAL	**$5,250,000**					

Process Notes

1 Paid based on standard construction drawdown process, as mutually agreed between Lessor and Lessee.

2 Paid upon submission of bona fide invoice to Lessor relating to the purchase or hardware, software, implementation and testing.

3 Such portion relating to hard construction, paid under process 1 above. For such portion relating to hardware, software, implementation and testing paid under process 2 above.

SCHEDULE 6.01.C

LITIGATION

SCHEDULE 6.01.D

BREACHES AND DEFAULTS

None, except as may be alleged in the various claims for delinquent payments on numerous contracts and accounts payable obligations disclosed in Schedule 6.C.

AMENDMENT TO LEASE AGREEMENT

THIS AMENDMENT TO LEASE AGREEMENT (the "Amendment") is made and entered into effective as of September 24, 2004, by and between **SPIRIT FINANCE ACQUISITIONS, LLC,** a Delaware limited liability company ("Lessor"), and **SIGNIFICANT EDUCATION, LLC,** a Delaware limited liability company ("Lessee").

Lessor and Lessee entered into a Lease Agreement dated as of June 28, 2004 (the "Lease") with respect to real property and improvements as described in the Lease. Terms not defined in this Amendment have the meanings given to them in the Lease. Lessor and Lessee wish to modify the Rent Adjustment as described in this Amendment.

In consideration of the foregoing recitals and other good and valuable consideration, the receipt of which is hereby acknowledged, Lessor and Lessee agree as follows:

1. **Rent Adjustment.** Section 4.B of the Lease is hereby deleted in its entirety and the following Section 4.B is hereby substituted in lieu thereof:

B. *Scheduled Adjustments.* On the first Adjustment Date and on each Adjustment Date thereafter, the Base Annual Rental shall increase by an amount equal to the Rent Adjustment. The "Rent Adjustment" shall be an amount equal to the lesser of (1) five percent (5%) of the Base Annual Rental in effect immediately prior to the applicable Adjustment Date, or (2) 1.25 times the product of (i) the percentage change between the Price Index (as defined below) for the month two months prior to the Effective Date or the Price Index used for the immediately preceding Adjustment Date, as applicable, and the Price Index for the month two months prior to the applicable Adjustment Date, and (ii) the then current Base Annual Rental. "Price Index" shall mean the Consumer Price Index which is designated for the applicable month of determination as the United States City Average for All Urban Consumers, All Items, Not Seasonally Adjusted, with a base period equaling 100 in 1982 — 1984, as published by the United States Department of Labor's Bureau of Labor Statistics or any successor agency. Notwithstanding any provision contained herein, in no event shall Base Annual Rental be reduced as a result of the application of the Rent Adjustment described in this Section 4.B. In the event that the Price Index ceases to be published, its successor index as published by the same Governmental Authority which published the Price Index shall be substituted and any necessary reasonable adjustments made by Lessor and Lessee in order to carry out the intent of this Section. In the event there is no successor index, Lessor shall reasonably select an alternative price index that will constitute a reasonable substitute for the Price Index.

2. **Adjustment Date.** The definition of "Adjustment Date" in Exhibit A of the Lease shall be deleted in its entirety and replaced with the following:

"Adjustment Date" means July 1, 2006, and each successive July 1 that is 24 months following the previous Adjustment Date during the Lease Term (including any Extension Term).

3. **Ratification.** Except as expressly stated herein, the Lease shall remain in full force and effect. If there is any conflict between the Lease and the terms of this Amendment, the terms of this Amendment shall control.

[Remainder of page intentionally left blank; signature page (s) to follow]

Lessor and Lessee have executed this Amendment as of the date set forth above.

LESSOR:

SPIRIT FINANCE ACQUISITIONS, LLC

By: /s/ Gregg A. Seibert
Printed Name: Gregg A. Seibert
Title: Senior Vice President

LESSEE:

SIGNIFICANT EDUCATION, LLC

By: /s/ Brent Richardson
Printed Name: Brent Richardson
Title: Chief Executive Officer

SECOND AMENDMENT TO LEASE AGREEMENT

THIS SECOND AMENDMENT TO LEASE AGREEMENT (the "Second Amendment") is made and entered into effective as of August 23, 2005, by and between **SPIRIT MASTER FUNDING, LLC,** a Delaware limited liability company, as successor in interest to **SPIRIT FINANCE ACQUISITIONS, LLC,** a Delaware limited liability company ("Lessor"), and **SIGNIFICANT EDUCATION, LLC,** a Delaware limited liability company, which will convert to Significant Education, Inc. pursuant to the Series A Investment (defined below) ("Lessee").

WHEREAS, Lessor and Lessee entered into a Lease Agreement dated as of June 28, 2004 as amended pursuant to that Amendment to Lease Agreement effective as of September 24, 2004 (collectively, the "Lease") with respect to real property and improvements as described in the Lease. Terms not defined in this Amendment have the meanings given to them in the Lease. Lessor and Lessee wish to modify the Rent Adjustment as described in this Amendment;

WHEREAS, in accordance with the provisions of Section 44 of the Lease, Lessor advanced certain Project Funds for the construction, completion, rehabilitation, renovation or installation of improvements to the Property, the advancement of which has increased the Base Annual Rental;

WHEREAS, the Lease further provides that the Project Funds would be available to Lessee only for Projects approved by Lessor within two (2) years from the date of the Lease;

WHEREAS, pursuant to the terms of the Stock Purchase Agreement between Significant Education, Inc. (the "Company") and the Series A Stockholders identified therein, dated as of August 23, 2005, the Series A Stockholders have agreed to make an equity investment in the Company (the "Series A Investment"), which significantly benefits Lessor's interest in the Property,

WHEREAS, Lessee has reevaluated its capital needs and expenditures in light of the Series A Investment and has requested that Lessor extend the expiration of the two-year period for Project approval by Lessor set to expire in June 2006 for an additional four (4) years;

WHEREAS, Lessee has agreed, in consideration for the requested extension, to revise the terms of the Option to Purchase the Property as described in Section 45 of the Lease.

NOW, THEREFORE, In consideration of the foregoing recitals and other good and valuable consideration, the receipt of which is hereby acknowledged, Lessor and Lessee agree as follows:

1. **Base Annual Rent.** The definition for Base Annual Rent in Exhibit A of the Lease is hereby deleted in its entirety and the following is hereby substituted in lieu thereof:

"Base Annual Rent" shall mean $3,465,000.00.

2. Tenant Improvements. The third sentence from the bottom of Section 44.A. of the Lease is hereby deleted in its entirety and replaced with the following:

"Lessor and Lessee acknowledge and agree that the Project Funds will be available to Lessee only for Projects approved by Lessor within six (6) years from the date hereof.

3. Option to Purchase. Section 45 of the Lease is hereby deleted in its entirety and replaced with the following:

Lessee shall have the option during the First Option Window and any other Option Window (defined below) to give Lessor notice (the "Option Notice") of Lessee's election to purchase the Property for the greater of (i) its fair market value (which fair market value shall be determined in accordance with Section 19 above) or (ii) Lessor's Total Investment (the "Option Purchase Price"). The closing for such purchase must occur within thirty (30) days following Lessor's receipt of the Option Notice if the required appraisal has been received and, if not, a day-for-day extension will be allowed until the appraisal is received.

"First Option Window" means the six month period commencing upon the earlier to occur of (i) the later to occur of (a) the date that all of the Project Funds have been expended or (b) June 1, 2008; or (ii) June 1, 2010.

"Option Window" means the six month period commencing on the fifth (5th) anniversary of the First Option Window, and every fifth (5th) anniversary thereafter throughout the term of the Lease (including any extensions thereof).

Notwithstanding anything to the contrary contained herein, Lessee shall also have the option to give Lessor its Option Notice at anytime after the First Option Window; provided, however, that if Lessee provides its Option Notice outside of any Option Window: (i) Lessor shall have six (6) months after its receipt of the Option Notice to close the sale of the Property; and (ii) Lessee shall pay to Lessor a fee equal to two percent (2%) of the Option Purchase Price.

Upon exercise of this option, Lessor and Lessee shall open a new escrow account with a recognized title insurance company selected by mutual agreement of the parties. Such escrow shall be subject to the standard escrow instructions of the escrow agent, to the extent they are not inconsistent herewith. At or before the close of escrow, Lessor shall deliver to the escrow agent its limited warranty deed conveying to Lessee all of Lessor's right, title and interest in the Property free and clear of all liens and encumbrances except (a) liens for taxes and assessments. and easements, and (b) covenants and restrictions of record which (i) were attached to the Property as of the date hereof, (ii) attached during the term of the Lease through Lessee's action or inaction, as the case may be, (iii) have been granted by Lessor in lieu of a taking by the power of eminent domain or the like, or (iv) have been approved by Lessee. In the event Lessor is unable to convey title as required, Lessee shall have the right to accept such title as Lessor can convey or elect not to consummate its exercise of the option. Both Lessor and Lessee agree to execute a purchase agreement, escrow instructions and such other instruments as may be necessary or appropriate to consummate the sale of the Property in the manner herein provided. All Costs incurred in connection with Lessee's exercise of the option, including, but not limited to, escrow fees, title insurance fees, recording costs or fees, reasonable attorneys' fees (including those of the Lessor), appraisal fees, stamp taxes and transfer fees shall be borne by Lessee. Lessee shall continue to pay and perform all of its obligations under this Lease until the close of escrow. The purchase price paid by Lessee in exercising this option shall be paid to Lessor or to such person or entity as Lessor may direct at closing in immediately available funds. The closing date may be extended for a reasonable period of time to permit Lessor to cure title defects or to permit either party to cure any other defects or defaults provided each party is diligently seeking to cure such defect or default and Lessee continues to perform its obligations hereunder. In the case of any mortgage or other monetary lien arising by, through or under Lessor (but not arising by, through or under Lessee), the escrow agent shall first apply the purchase price to the payment of such mortgage or monetary lien, and the balance shall be paid over to Lessor at closing.

Lessee shall not have the right to exercise this option or consummate the exercise thereof if at the time of exercise or consummation an Event of Default exists or is continuing.

Lessee may not sell, assign, transfer, hypothecate or otherwise dispose of the option granted herein or any interest therein, except in conjunction with a permitted assignment of Lessee's entire interest herein and then only to the assignee thereof. Any attempted assignment of this option which is contrary to the terms of this Section shall be deemed to be an Event of Default under this Lease and the option granted herein shall be void.

Notwithstanding the foregoing, the purchase option described in this Section shall be null and void in the event that Lessor determines, in its sole and absolute discretion, that the sale of the Property would cause Lessor to recognize income or gain from a "prohibited transaction" as defined under Section 857(b)(6) of the Internal Revenue Code of 1986, as amended.

4. Definitions. The following definitions have been added to Exhibit A as follows:

"First Option Window" has the meaning set forth in Section 45.

"Option Purchase Price" has the meaning set forth in Section 45.

"Option Window" has the meaning set forth in Section 45.

5. Ratification. Except as expressly stated herein, the Lease shall remain in full force and effect. If there is any conflict between the Lease and the terms of this Amendment, the terms of this Amendment shall control,

[Remainder of page intentionally left blank; signature page(s) to follow]

Lessor and Lessee have executed this Amendment as of the date set forth above.

LESSOR:

SPIRIT MASTER FUNDING, LLC

By: /s/ Christopher H. Volk
Printed Name: Christopher H. Volk
Title: President and Chief Operating Officer

LESSEE:

SIGNIFICANT EDUCATION, LLC

By: /s/ Brent Richardson
Printed Name: Brent Richardson
Title: Chief Executive Officer

THIRD AMENDMENT TO LEASE AGREEMENT

THIS THIRD AMENDMENT TO LEASE AGREEMENT (the "Third Amendment") is made and entered into effective as of June ___, 2006, by and between **SPIRIT MASTER FUNDING, LLC**, a Delaware limited liability company, as successor-in-interest to Spirit Finance Acquisitions, LLC, a Delaware limited liability company ("Lessor"), and **SIGNIFICANT EDUCATION, INC**., a Delaware corporation, as successor-in-interest to Significant Education, LLC, a Delaware limited liability company ("Lessee").

Recitals

WHEREAS, Lessor and Lessee entered into that certain Lease Agreement dated as of June 28, 2004, as amended pursuant to that certain Amendment to Lease Agreement dated effective as of September 24, 2004, and as further amended pursuant to that certain Second Amendment to Lease Agreement dated effective as of August 23, 2005 (collectively, the "Lease"), with respect to the real property and improvements as described in the Lease. Terms not defined in this Third Amendment shall have the meanings ascribed to them in the Lease.

WHEREAS, Lessee has requested, and Lessor has agreed to provide, additional funding for additional tenant improvements pursuant to and in accordance with the terms of this Third Amendment.

NOW, THEREFORE, in consideration of the foregoing recitals and other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, Lessor and Lessee agree as follows:

1. **Additional Tenant Improvements.** The following new subsections D and E shall be added to the end of Section 44 of the Lease.

D. *Additional Tenant Improvements*. Lessor shall reimburse Lessee an additional aggregate amount not to exceed Five Million Eight Hundred Thousand and 00/100 Dollars ($5,800,000.00) (collectively, the "Additional Funds") for the construction, completion, rehabilitation, renovation or installation of improvements to the Property related to the operation to the Permitted Facility that are described on Exhibit E attached hereto and incorporated herein (collectively, the "Additional Tenant Improvements "). Lessor shall disburse the Additional Funds in accordance with, and upon Lessee's satisfaction of, Lessor's standard disbursement procedures (including without limitation, the completion, execution and delivery of the Draw Request Certification in the form attached hereto as Exhibit F (the "Draw request")), in three (3) separate installments as follows: (i) an initial disbursement of $1,044,089.00 shall be made on the date of execution and delivery of this Third Amendment, the Draw Request, and any other documents reasonably requested by Lessor in connection with such initial disbursement; (ii) an interim disbursement not to exceed the amount of $3,071,562.00 shall be made on July 31, 2006 (provided that Lessee has complied in all respects with Lessor's disbursement procedures); and (iii) a final disbursement not to exceed $1,684,349.00 shall be made upon completion of the Additional Tenant Improvements (provided that Lessee has complied in all respects with Lessor's disbursement procedures). Lessor reserves the right to utilize the services of a construction management firm in connection with the Additional Tenant Improvements. Lessor further reserves the right to require Lessee to enter into one or more written agreements to govern the disbursement of any Additional Funds and/or to provide such other documentation reasonably requested by Lessor in connection with the disbursement of any Additional Funds. All reasonable costs and expenses incurred by Lessor with respect to any Additional Tenant Improvement, including, without limitation, attorneys' fees, construction management fees, inspection costs and title insurance policy endorsement fees, shall be paid by Lessee and all such costs and expenses may be withheld from the Additional Funds in Lessor's discretion. Lessor and Lessee acknowledge and agree that the Additional Funds will be available to Lessee up to and including December 31, 2006 ("Final Disbursement Date"). To the extent that any Additional Tenant Improvement remains uncompleted as of the Final Disbursement Date, Lessor shall have no obligation to disburse any further Additional Funds to Lessee; *provided, however,* that the foregoing shall in no way eliminate or diminish Tenant's obligation to complete such Additional Tenant Improvements in a good and workmanlike manner, or to otherwise perform its obligations under this Lease. All Additional Tenant Improvements shall constitute part of the Property and shall be owned Lessor.

E. *Rent Adjustments*. Simultaneously with the disbursement of any Additional Funds, Lessor and Lessee agree to amend the Lease to increase the Base Annual Rental by the amount of such disbursement *multiplied by* a cap rate of ten and one-half percent (10.5%).

2. **Exhibits E and F.** Exhibit E and Exhibit F attached hereto shall be added to the Lease as if fully set forth therein.

3. **Definitions.** The following definitions shall be added to Exhibit A of the Lease:

"Additional Funds" has the meaning set forth in Section 44.D.

"Additional Tenant Improvements" has the meaning set forth in Section 44.D.

"Base Annual Rent" shall mean $3,574,629.35.

"Final Disbursement Date" has the meaning set forth in Section 44.D.

4. **Lessor's Total Investment.** The definition of *"Lessor's Total Investment"* in Exhibit A of the Lease shall be deleted in its entirely, and the following new definition shall be inserted in lieu thereof:

"Lessor's Total Investment" means, with respect to any Property, the sum of (a) the gross purchase price paid for the Property by Lessor (or Lessor's predecessor-in-interest) (including, without limitation, any mortgage debt incurred or assumed in connection therewith and any Contingent Purchase Price paid by Lessor), plus (b) all amounts disbursed and all costs and expenses incurred by Lessor pursuant to Section 44 of this Lease, plus (c) the closing costs and expenses incurred by Lessor (or Lessor's predecessor-in-interest) with respect to the purchase of the Property.

5. **Ratification.** Except as expressly stated herein, the Lease shall remain in full force and effect. If there is any conflict between the Lease and the terms of this Third Amendment, the terms of this Third Amendment shall control.

[Remainder of page intentionally left blank; signature page(s) to follow]

Lessor and Lessee have executed this Third Amendment as of the dated set forth above.

LESSOR:

SPIRIT MASTER FUNDING, LLC

By: /s/ Gregg A. Seibert

Printed Name:	Gregg A. Seibert
Title:	Senior Vice President

LESSEE:

SIGNIFICANT EDUCATION, INC.

By: /s/ Timothy R. Fischer

Printed Name:	Timothy R. Fischer
Title:	Chief Financial Officer

EXHIBIT E

ADDITIONAL TENANT IMPROVEMENTS

Project description	Project Cost	Reason for Project	Justification
Installation of Promenade to student union	$ 850,000	Reduce liability, cosmetic change to draw students	Demonstrate to current and future students that GCU is on its way to becoming a destination campus
New Swimming Pool	$ 1,700,000	Cosmetic & Revenue Generator	A modern pool will attract significant camps over the summer, corporate outings and other revenue generating activities. We estimate on the low side we can generate $20,000 for 14 weeks of summer and $4,000 per week during the rest of the year
Kaibab Remodeling	$ 2,200,000	Office Space for Online	Currently paying $200K annual lease at 24th Street. Amount likely to double over the next two years. Market value of comparable space 20,000 SF @ $25 = $500,000
Bright Angel Remodeling	$ 850,000	Classroom Space for Nursing and Office Space	Add up to 12 classrooms/labs on the campus. Every lab built allows admission of 25 more nurses per start. Assuming we build two labs, 300 additional nurses per year at $3,150 in revenue per year. Also, have additional class space for future expansion.
New Student Snack & Activity Center	$ 200,000	Cosmetic & Revenue Generator	Build a coffee house hang out on the promenade in the middle of the campus offer, wireless internet, coffee, food, etc.
Total Cost	$ 5,80,000		

Attached hereto is a true and correct copy of the Anticipated Draw Schedule

Project	Project Cost	6/30/06 Payments to Date	6/30/06 Invoices Accrued & Unpaid	Spirit Draw for June	Draw Forecasts 7/31/06	Draw Forecasts 8/31/06	Draw Forecasts 9/30/06	Draw Forecasts 10/31/06	Draw Forecasts 11/30/06	Draw Forecasts 12/31/06	Total Project Costs	Remaining Spirit Funds	% of Funds Remaining
Promenade to Student Union	850,000	210,209.99	58,018.95	268,228.94	581,771						850,000	0	0.00%
New Swimming Pool	1,700,000	15,650.97		15,650.97		850,000		300,000	300,000	234,349	1,700.00	0	0.00%
Kaibab Remodeling	2,200,000	677,251.19	82,958.33	760,209.52	300,000	1,139,790					2,200,000	0	0.00%
Bright Angel Remodeling	850,000			0			300,000	200,000	200,000	150,000	850,000	0	0.00%
New Student Snack & Activity Center	200,000			0		200,000					200,000	0	0.00%
Total Spirit Remodel Projects	**5,800,000**	**903,112.15**	**140,977.28**	**1,044,089.43**	**881,771**	**2,189,790**	**300,000**	**500,000**	**500,000**	**384,349**	**5,800,000**	**0**	**0.00%**
			Draws =	$ 1,044,089	$3,071,562			Upon completion		$1,684,349	$5,800,000		

EXHIBIT F
DRAW REQUEST CERTIFICATION

DRAW REQUEST NUMBER 8

DATE:	June 9, 2006
LESSOR:	Spirit Master Funding, LLC
LESSEE:	Significant Education, Inc.
PROJECT:	Additional Tenant Improvements / Grand Canyon University 3300 West Camelback Road, Phoenix, Arizona

Reference is made to that certain Lease Agreement dated as of June 28, 2004 between Lessor and Lessee, as amended pursuant to that certain Amendment to Lease Agreement dated effective as of September 24, 2004, as further amended pursuant to that certain Second Amendment to Lease Agreement dated effective as of August 23, 2005, and as further amended pursuant to that certain Third Amendment to Lease Agreement dated effective as of June ___, "Lease"). Capitalized terms used herein without definition shall have the meanings set forth in the Lease, unless the context shall require otherwise.

Lessee requests that Lessor disburse proceeds from the Additional Funds in the amounts and for the Additional Tenant Improvements stated in the attached Schedule 1 (the "Draw Request").

1. In connection with such requested disbursement, Lessee hereby represents, warrants and certifies to Lessor as of the date hereof as follows:

(a) No Event of Default presently exists under the Lease.

(b) All of representations and warranties of Lessee under the Lease are hereby remade and restated and are true and correct in all material respects.

(c) With respect to the requested Additional Funds:

(i) Lessee has satisfied all conditions precedent to the disbursement of the Additional Funds as set forth in the Lease:

(ii) the Lease is in full force and effect;

(iii) the sum of all amounts expended for the Additional Tenant Improvements identified on the Draw Request does not exceed the total amount budgeted for such Additional Tenant Improvements; and

(iv) all contractors, subcontractors, vendors, materialmen and other Persons entitled to payment with respect to the Additional Tenant Improvements for which the Additional Funds are being requested have been paid or will be paid with the proceeds of the requested the Additional Funds.

(d) All insurance required to be maintained by Lessee remains in full force and effect, and each is of the type and in the amount, and issued by insurers, as previously approved by Lessor.

(e) With respect to any Additional Tenant Improvement for which the Additional Funds are being requested in the Draw Request:

(i) All such Additional Tenant Improvements have been made in a good and workmanlike manner and in compliance with all applicable permits, authorizations and Legal Requirements;

(ii) No Additional Tenant Improvement impairs the safety or structural integrity of the applicable building or structure upon which it is located; and

(iii) Attached to the Draw Request are supporting invoices of each such contractor, subcontractor, vendor, materialman or other person with respect to the work and/or materials as to which a disbursement of the Additional Funds is being requested.

2. Lessee will certify, or cause any general contractor to certify, to Lessor, upon request of Lessor at any time, and from time to time, as to all materialmen, laborers, subcontractors, suppliers, and any other parties who might or could claim statutory or common law liens as a result of furnishing material or labor to the Property or any portion thereof or interest therein (the "Contracting Parties"), together with evidence satisfactory to Lessor, that such Contracting Parties have been paid or will be paid from the disbursement of the Additional Funds being requested hereunder.

3. Lessee shall obtain lien waivers from any and all such Contracting Parties after such Contracting Parties have been paid all amounts then due for labor and/or materials and provide such lien waivers to Lessor within ten (10) business days after Lessor disburses the proceeds of the Draw Request to Lessee.

4. If, during the construction or installation of the Additional Tenant Improvements, a lien is filed against the Property for work performed or goods and/or services provided to the Property, Lessee shall provide Lessor with notice of the filing of such lien promptly after Lessee obtains knowledge of such filing. Lessee shall then have twenty (20) days after delivery of such notice to Lessor to cause such lien to be released or bonded off pursuant to Arizona statute from

the applicable real property records or to post a bond or to provide an indemnity satisfactory to First American Title Insurance Company (the "Title Company") which would enable the Title Company to issue an endorsement to Lessor's title policy issued for the Property which would insure over such lien. If Lessee fails to cause such lien to be released or to post such a bond or deliver such an indemnity, such failure shall be deemed an Event of Default under the Lease and shall entitle Lessor to exercise its remedies contained therein.

5. Lessee agrees to indemnify, hold harmless and defend Lessor and its respective officers, managers, members, employees, successors, assigns, agents, lenders, contractors, subcontractors, experts, licensees, affiliates, mortgagees, trustees and invitees, as applicable, from and against any and all claims, demands, causes of action, suits, proceedings, losses, costs, liabilities, damages (including consequential and punitive) and expense, including, without limitation, attorneys' fees caused by, incurred or resulting from the breach of any of the representations, warranties, covenants, agreements or obligations of Lessee set forth in this Draw Request, or Lessee's operations of or relating in any manner to Property.

LESSEE:

SIGNIFICANT EDUCATION, INC.,
a Delaware corporation

By: /s/ Timothy R. Fischer
Printed Name: Timothy R. Fischer
Title: Chief Financial Officer

SCHEDULE 1 TO DRAW REQUEST NUMBER 8

Date	Check #	Check Date	Description	Amount	Project	Project Sub-Total
Project Payments						
01/27/06	239845	01/30/06	Moline Construction	41,520.00	Kaibab	
02/08/06	241532	03/03/06	Sullivan Designs, Inc.	625.00	Kaibab	
02/14/06	241526	03/03/06	Richard Caviness	1,134.00	Kaibab	
02/14/06	241675	03/08/06	Moline Construction	266,850.00	Kaibab	
02/28/06	241444	03/03/06	American Express (Hajoca Phoenix)	453.67	Kaibab	
03/31/06	245774	04/18/06	Moline Construction	89,902.00	Kaibab	
04/29/06	246221	05/02/06	Moline Construction	72,065.00	Kaibab	
04/26/06	246146	04/28/06	Richard Caviness	1,990.00	Kaibab	
05/11/06	10326	05/11/06	Salt River Project	10,652.00	Kaibab	
04/18/06	12260	05/22/06	Valley Systems	17,128.52	Kaibab	
04/26/06	12465	05/26/06	Sullivan Designs, Inc.	1,350.00	Kaibab	
05/25/06	12325	05/22/06	SRP	73,581.00	Kaibab	677,251.19
06/02/06	12964	6/2/2006	Moline Construction	100,000.00	Kaibab Pool	15,650.97
01/31/06	241098	02/24/06	Dickens Quality Demolition	15,650.97	Demolition	
03/09/06	241813	03/10/06	Salt River Project	39,180.00	Promenade	
02/22/06	242519	03/17/06	Desert Services	787.50	Promenade	
05/02/06	243233	05/02/06	Salt River Project	2,400.00	Promenade	
04/26/06	12266	05/22/06	Wescor General, Inc.	13,293.53	Promenade	
05/19/06	12266	05/22/06	Wescor General, Inc.	75,000.00	Promenade	
05/31/06	12839	05/31/06	Wescor General, Inc.	74,057.96	Promenade	
05/17/06	12956	6/2/2006	Liberty Pipeline	5,491.00	Promenade	210,209.99
Total Project Payments to Date				**903,112.15**		**903,112.15**
Invoices Received & Not Yet Paid						
06/06/06			Richard Caviness	2,000.00	Kaibab	
05/17/06			Sullivan Designs, Inc.	625.00	Kaibab	
05/26/06			Brooks Engineers	293.84	Kaibab	
05/31/06			American Express	9,656.00	Kaibab	
06/05/06			Moline Construction	70,383.49	Kaibab	82,958.33
05/12/06			Liberty Pipeline Services, LLC	1,612.09	Promenade	
05/18/06			Brooks Engineers	576.00	Promenade	
05/26/06			Wescor General, Inc.	55,830.86	Promenade	258,018.95
Total Invoices Received & Not Yet Paid				**140,977.28**		**140,977.28**
Total Draw Request #8				**$ 1,044,089.43**		**$ 1,044,089.43**

FOURTH AMENDMENT TO LEASE AGREEMENT

THIS FOURTH AMENDMENT TO LEASE AGREEMENT (the "Fourth Amendment") is made and entered into effective as of August 9, 2006, by and between **SPIRIT MASTER FUNDING, LLC,** a Delaware limited liability company, as successor-in-interest to Spirit Finance Acquisitions, LLC, a Delaware limited liability company ("Lessor"), and **SIGNIFICANT EDUCATION, INC.,** a Delaware corporation, as successor-in-interest to Significant Education, LLC, a Delaware limited liability company ("Lessee")

Recitals

WHEREAS, Lessor and Lessee entered into that certain Lease Agreement dated as of June 28, 2004, as amended pursuant to that certain Amendment to Lease Agreement dated effective as of September 24, 2004, as further amended pursuant to that certain Second Amendment to Lease Agreement dated effective as of August 23, 2005, and as further amended pursuant to that certain Third Amendment to Lease Agreement dated effective as of June 15, 2006 (collectively, the "Lease"), with respect to the real property and improvements as described in the Lease. Terms not defined in this Fourth Amendment shall have the meanings ascribed to them in the Lease.

WHEREAS, Lessor has provided additional funding for additional tenant improvements, and Lessor and Lessee wish to amend the Lease pursuant to the terms hereof.

NOW, THEREFORE, in consideration of the foregoing recitals and other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, Lessor and Lessee agree as follows:

1. Definitions. The definition of "Base Annual Rent" shall be deleted in its entirety and the following new definition of "Base Annual Rent" shall be substituted in lieu thereof:

"Base Annual Rent" shall mean $4,020,595.58.

2. Ratification. Except as expressly stated herein, the Lease shall remain in full force and effect If' there is any conflict between the Lease and the terms of this Fourth Amendment, the terms of this Fourth Amendment shall control.

[Remainder of page intentionally left blank, signature page(s) to follow]

Lessor and Lessee have executed this Fourth Amendment as of the date set forth above.

LESSOR:

SPIRIT MASTER FUNDING, LLC

By: /s/ Michael T. Bennett
Printed Name: Michael T. Bennett
Title: Senior Vice President

LESSEE:

SIGNIFICANT EDUCATION, INC.

By: /s/ Brent Richardson
Printed Name: Brent Richardson
Title: Chief Executive Officer

FIFTH AMENDMENT TO LEASE AGREEMENT

THIS FIFTH AMENDMENT TO LEASE AGREEMENT (the "Fifth Amendment") is made August 20, 2007, *nunc pro tunc* December 31, 2006, by and between **SPIRIT MASTER FUNDING, LLC,** a Delaware limited liability company, as successor-in-interest to Spirit Finance Acquisitions, LLC, a Delaware limited liability company ("Lessor"), and **SIGNIFICANT EDUCATION, INC.,** a Delaware corporation, as successor-in-interest to Significant Education, LLC, a Delaware limited liability company ("Lessee").

Recitals

WHEREAS, Lessor and Lessee entered into that certain Lease Agreement dated as of June 28, 2004, as amended pursuant to that certain Amendment to Lease Agreement dated effective as of September 24, 2004, as further amended pursuant to that certain Second Amendment to Lease Agreement dated effective as of August 23, 2005, as further amended pursuant to that certain Third Amendment to Lease Agreement dated effective as of June 15, 2006, and as further amended pursuant to that certain Fourth Amendment to Lease Agreement dated effective as of August 9, 2006 (collectively, the "Lease"), with respect to the real property and improvements as described in the Lease. Terms not defined in this Fifth Amendment shall have the meanings ascribed to them in the Lease.

WHEREAS, pursuant to Section 44.D of the Lease, Lessor agreed to provide, on or before the Final Disbursement Date, Additional Funds for the Additional Tenant Improvements.

WHEREAS, Lessee has requested Lessor to extend the Final Disbursement Date up to and including September 30, 2007.

NOW, THEREFORE, in consideration of the foregoing recitals and other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, Lessor and Lessee agree as follows:

1. **Final Disbursement Date** The third sentence from the bottom of Section 44 D of the Lease shall be deleted in its entirety and shall be replaced with the following:

Lessor and Lessee acknowledge and agree that the Additional Funds will be available to Lessee up to and including September 30, 2007 ("Final Disbursement Date").

2. **Ratification.** Except as expressly stated herein, the Lease shall remain in full force and effect. If there is any conflict between the Lease and the terms of this Fifth Amendment, the terms of this Fifth Amendment shall control.

[Remainder of page intentionally left blank, signature pages) to follow]

Lessor and Lessee have executed this Fifth Amendment as of the date set forth above.

LESSOR:

SPIRIT MASTER FUNDING, LLC

By: /s/ Gregg. A. Seibert
Printed Name: Gregg. A. Seibert
Title: Senior Vice President

LESSEE:

SIGNIFICANT EDUCATION, INC.

By: /s/ Timothy R. Fischer
Printed Name: Timothy R. Fischer
Title: Chief Financial Officer

SIXTH AMENDMENT TO LEASE AGREEMENT

THIS SIXTH AMENDMENT TO LEASE AGREEMENT (the "Sixth Amendment") is made January 18, 2008, *nunc pro tunc* September 30, 2007, by and between **SPIRIT MASTER FUNDING, LLC,** a Delaware limited liability company, as successor-in-interest to Spirit Finance Acquisitions, LLC, a Delaware limited liability company ("Lessor"), and **SIGNIFICANT EDUCATION, INC.,** a Delaware corporation, as successor-in-interest to Significant Education, LLC, a Delaware limited liability company ("Lessee")

Recitals

WHEREAS, Lessor and Lessee entered into that certain Lease Agreement dated as of June 28, 2004, as amended pursuant to that certain Amendment to Lease Agreement dated effective as of September 24, 2004, as further amended pursuant to that certain Second Amendment to Lease Agreement dated effective as of August 23, 2005, as further amended pursuant to that certain. Third Amendment to Lease Agreement dated effective as of June 15, 2006, as further amended pursuant to that certain Fourth Amendment to Lease Agreement dated effective as of August 9, 2006, and as further amended pursuant to that certain Fifth Amendment to Lease dated August 20, 2007, *nunc pro tunc* December 31, 2006 (collectively, the "Lease"), with respect to the real property and improvements as described in the Lease. Terms not defined in this Sixth Amendment shall have the meanings ascribed to them in the Lease.

WHEREAS, pursuant to Section 44.D of the Lease, Lessor agreed to provide Additional Funds for the Additional Tenant Improvements.

WHEREAS, Lessee has requested, among other things, that Lessor disburse a portion of the Additional Funds and extend the Final Disbursement Date up to and including September 30, 2008, as further provided herein.

NOW, THEREFORE, in consideration of the foregoing recitals and other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, Lessor and Lessee agree as follows:

1 **Additional Tenant Improvements.** Section 44.D of the Lease shall be deemed amended as follows:

(a) Lessor and Lessee acknowledge and agree that Additional Funds in the amount of Three Million Five Hundred Eighty-Nine Thousand One Hundred Eighty-One and 02/100 Dollars ($3,589,181.02) have been disbursed by Lessor to Lessee for Additional Tenant Improvements.

(b) Lessor shall disburse the remaining Additional Funds in the amount of Two Million Two Hundred Ten Thousand Eight Hundred Eighteen and 98/100 Dollars.

($2,210,818 98) in accordance with, and upon Lessee's satisfaction of, Lessor's standard disbursement procedures (including without limitation, Lessee's completion, execution and delivery of the related Draw Request, and Lessee's delivery of supporting invoices, lien waivers and any other documents reasonably requested by Lessor in connection with such disbursement), in up to three (3) separate installments as follows: (i) the amount of Nine Hundred Sixty-Six Thousand One Hundred Thirty-Five and 26/100 ($966,135.26), representing amounts incurred and paid by Lessee for Additional Tenant Improvements; and (ii) amounts incurred and paid by Lessee for Additional Improvements related to the "New Swimming Pool" project and the "Bright Angel Remodeling" project, each as described on Exhibit E to the Lease; *provided, however,* that prior to the final disbursement of Additional Funds, Lessee shall have provided to Lessor, at Lessee's sole cost and expense, a current site inspection and valuation of the Property, separate stating values for the Property and the improvements located thereon, from a party selected by Lessor, in form and substance acceptable to Lessor and confirming a concluded value equal to or greater than the sum of (A) Lessor's Total Investment, and (B) all Additional Funds disbursed and to be disbursed as the final disbursement.

(c) The Final Disbursement Date shall be up to and including September 30, 2008.

2 **Ratification.** Except as expressly stated herein, the Lease (including without limitation, Section 44.D thereof) shall remain in full force and effect If there is any conflict between the Lease (including without limitation, Section 44.D thereof) and the terms of this Sixth Amendment, the terms of this Sixth Amendment shall control.

[Remainder of page intentionally left blank, signature page(s) to follow]

Lessor and Lessee have executed this Sixth Amendment as of the date set forth above.

LESSOR:

SPIRIT MASTER FUNDING, LLC

By: /s/ Michael T. Bennett
Printed Name: Michael T. Bennett
Title: Senior Vice President

LESSEE:

SIGNIFICANT EDUCATION, INC.

By: /s/ Timothy R. Fischer
Printed Name: Timothy R. Fischer
Title: Chief Financial Officer

SEVENTH AMENDMENT TO LEASE AGREEMENT

THIS SEVENTH AMENDMENT TO LEASE AGREEMENT (the "Seventh Amendment") is made as of March 26, 2008, by and between **SPIRIT MASTER FUNDING, LLC,** a Delaware limited liability company, as successor-in-interest to Spirit Finance Acquisitions, LLC, a Delaware limited liability company ("Lessor"), and SIGNIFICANT EDUCATION, INC., a Delaware corporation, as successor-in-interest to Significant Education, LLC, a Delaware limited liability company ("Lessee").

Recitals

WHEREAS, Lessor and Lessee entered into that certain Lease Agreement dated as of June 28, 2004, as amended pursuant to that certain Amendment to Lease Agreement dated effective as of September 24, 2004, as further amended pursuant to that certain Second Amendment to Lease Agreement dated effective as of August 23, 2005, as further amended pursuant to that certain Third Amendment to Lease Agreement dated effective as of June 15, 2006, as further amended pursuant to that certain Fourth Amendment to Lease Agreement dated effective as of August 9, 2006, as further amended pursuant to that certain Fifth Amendment to Lease dated August 20, 2007, *nunc pro tunc* December 31, 2006, and as further amended pursuant to that certain Sixth Amendment to Lease dated January 18, 2008, *nunc pro tunc* September 30, 2007 (collectively, the "Lease"), with respect to the real property and improvements as described in the Lease.. Terms not defined in this Seventh Amendment shall have the meanings ascribed to them in the Lease.

WHEREAS, pursuant to Section 44.D of the Lease, Lessor has agreed to provide Additional Funds for the Additional Tenant Improvements, and Lessor and Lessee wish to amend the Lease pursuant to the terms hereof.

NOW, THEREFORE, in consideration of the foregoing recitals and other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, Lessor and Lessee agree as follows:

1. Additional Tenant Improvements amended as follows: Section 44.D of the Lease shall be amended as follows:

(a) Lessor and Lessee acknowledge and agree that Additional Funds in the amount of $3,589,181.02 have been disbursed by Lessor to Lessee for Additional Tenant Improvements.

(b) Lessor shall disburse the remaining Additional Funds in the amount $2,210,818 98 in accordance with, and upon Lessee's satisfaction of, Lessor's standard disbursement procedures (including without limitation, Lessee's completion, execution and delivery of the related Draw Request, and Lessee's delivery of supporting invoices, lien waivers and any other documents reasonably requested by Lessor in connection such disbursement) in up to two (2) separate installments as follows: (i) the first disbursement in the amount of $760,925.41, representing amounts incurred and paid by Lessee for Additional Tenant Improvements not heretofore funded by Lessor ("Current Disbursement"); and (ii) the final disbursement ("Final Disbursement") in an amount not to exceed $1,449,893 57 ("Final Draw") for amounts actually incurred and paid by Lessee for the Additional Tenant Improvements related to the "New Swimming Pool" and "New Student Snack & Activity Center" projects, as described and set forth on Exhibit E to the Lease.

(c) Notwithstanding any provision contained herein, Lessor and Lessee agree that to the extent that (i) the Additional Funds are insufficient to permit completion of the Additional Tenant Improvements, Lessee shall utilize its own hinds to complete such Additional Tenant Improvements; and (ii) any Additional Tenant Improvement remains uncompleted as of the Final Disbursement Date, Lessor shall have no obligation to disburse any further Additional Funds to Lessee; *provided, however,* that the foregoing shall in no way eliminate or diminish Lessee's obligation to complete the Additional Tenant Improvements, to complete the Additional Tenant Improvements in a good and workmanlike manner, or to otherwise perform its obligations under this Lease Lessee further agrees that (1) all Additional Tenant Improvements (A) shall be made in accordance with the provisions set forth in Sections 12 and 14 hereof; (13) shall be made free of liens for work, services, labor and materials supplied or claimed to have been supplied to the Property or any other property; and (C) shall not be undertaken without obtaining the insurance required by Section 10 hereof , and "all risk" builder's risk property insurance for the full replacement cost of the Additional Tenant Improvements on a completed value basis; (2) all Additional Tenant Improvements shall be deemed a part of the Property and shall belong to Lessor at the expiration or early termination of the Lease Term, and Lessee shall execute and deliver to Lessor such instruments as Lessor may require to evidence the ownership by Lessor of such Additional Tenant Improvements; (3) except as expressly set forth herein, nothing contained in this Section 44 shall eliminate or diminish Lessee's obligation to otherwise perform its obligations under this Lease; (4) Lessee shall defend, indemnify and hold harmless the Indemnified Parties from and against any and all Losses arising from or related to the Additional Tenant Improvements and any failure to comply with the requirements in connection with the Additional Tenant Improvements as described in this Section 44; (5) upon completion of such Additional Tenant Improvements, Lessee shall promptly provide Lessor with (I) an architect's certificate certifying that the Additional Tenant Improvements have been completed in conformity with the plans and specifications therefor; (II) a certificate of occupancy; and (III) any other documents or information reasonably requested by Lessor; and (6) Lessee shall pay the cost of any owner's and lender's title insurance endorsements requested by Lessor related to the Additional Tennant Improvements.

2. Base Annual Rental This Seventh Amendment shall be executed and delivered simultaneously with the disbursement of the Current Disbursement, and Lessor and Lessee agree that commencing as of the date of this Seventh Amendment and continuing until the next Adjustment Date, the Base Annual Rental shall be $4,100,492.74.

3. Ratification. Except as expressly stated herein, the Lease (including without limitation, Section 4.B and Section 44.D thereof) shall remain in full force and effect If there is any conflict between the Lease (including without limitation, Section 4.B and Section 44.D thereof) and the terms of this Seventh Amendment, the terms of this Seventh Amendment shall control.

[Remainder of page intentionally left blank, signature page(s) to follow]

Lessor and Lessee have executed this Seventh Amendment as of the date set forth above.

LESSOR:

SPIRIT MASTER FUNDING, LLC

By: /s/ Michael T. Bennett
Printed Name: Michael T. Bennett
Title: Senior Vice President

LESSEE:

SIGNIFICANT EDUCATION, INC.

By: /s/ Timothy R. Fischer
Printed Name: Timothy R. Fischer
Title: Chief Financial Officer

License Agreement

This License Agreement ("**Agreement**") is entered into as of this 30th day of June, 2004 (the "**Effective Date**") by and between Blanchard Education, LLC, a California Limited Liability Corporation, including all of its offices, divisions, successors and assigns ("**Blanchard Education**"), having its principal offices at 125 State Place, Escondido, California and Significant Education, LLC, a Delaware Limited Liability Company, including all of its offices, divisions, successors and assigns ("**Significant Education**") having its principal offices at 3300 West Camelback Road, Phoenix, Arizona. Within this Agreement Blanchard Education and Significant Education may be referred to individually as a "**Party**" or collectively as the "**Parties**".

RECITALS

WHEREAS, Blanchard Education and Significant Education have agreed to the terms of a relationship, and these terms were initially established and set forth in a Letter of Intent ("**Letter of Intent**") entered into by the Parties dated May 7, 2004; and

WHEREAS, the Letter of Intent called upon the Parties to enter into a mutually acceptable license agreement setting forth all the terms and conditions attached to the issuance of a license to Significant Education by Blanchard Education; and

WHEREAS, this Agreement now sets forth those terms and conditions.

NOW, THEREFORE, in considerations for the mutual promises contained here, and for other good and valuable consideration, the Parties agree as follows:

AGREEMENT

1. LICENSEE INFORMATION.

- Licensee: Significant Education, LLC
- Address: 3300 West Camelback Road, Phoenix, Arizona 85017
- Contact Persons: Charles Preston and Linda Rawles
- Phone Number: 602.388.3814 and 602.589.2063
- Email Address: cpreston@220partners.com; lrawles@gcu.edu

2. LICENSOR INFORMATION.

- Licensor: Blanchard Education, LLC
- Address: 125 State Place, Escondido, California 92029
- Contact Person: Tom McKee
- Phone Number: 800-728-6000
- Email Address: tom.mckee@kenblanchard.com

3. CONTROLING INTEREST.

It has been established, and the Parties do acknowledge, that Significant Education holds and controls all right and interest to and in the educational institution known as Grand Canyon University ("**GCU**"), and unless specifically set forth as otherwise, all those rights granted or awarded to Significant Education hereunder shall be understood to be similarly awarded to GCU.

4. **LICENSED RIGHTS**.

Subject to and in consideration of the terms and conditions of this Agreement, Blanchard Education does hereby grant Significant Education the right to name GCU's College of Business, "The Ken Blanchard College of Business". This grant of rights also includes the right of Significant Education and GCU to use the name "Ken Blanchard" to establish and promote the relationship between the Parties, and to establish and promote the relationship between Ken Blanchard, Significant Education, and GCU. Ken Blanchard's name may also be used to advertise and promote The Ken Blanchard School of Business by Significant Education and GCU. Blanchard Education will promote the relationship between Ken Blanchard, Significant Education, and GCU as well as The Ken Blanchard School of Business, including a prominent presence for GCU and The Ken Blanchard School of Business and links to GCU and The Ken Blanchard School of Business on the website www.kenblanchard.com and other websites maintained by Ken Blanchard or entities controlled by Ken Blanchard.

5. **ADDITIONAL SUBSEQUENT LICENSE**.

Following the execution of this Agreement, and sometime before June 1, 2005, the Parties acknowledge that Significant Education will enter into a separate and subsequent license agreement with the Ken Blanchard Companies ("**Blanchard Companies**"), and this agreement (the "**Blanchard Companies Agreement**") will grant Significant Education the right to use certain specifically-identified Blanchard Companies owned intellectual property ("**Blanchard Intellectual Property**") to develop various business courses that will be offered by GCU through The Ken Blanchard College of Business. It is necessary to make mention of the Blanchard Companies Agreement herein, as the Parties agree that the continuance of this Agreement shall be dependent upon the completion, execution, and continuance of the Blanchard Companies Agreement, and this condition is further established in Section 12, "Termination of Agreement".

6. **EXCLUSIVITY OF LICENSE**.

The Parties agree that this Agreement, the rights it grants to Significant Education, and the application of these rights by Significant Education shall be mutually exclusive. For clarification, this mutual exclusivity means that Blanchard Education (or the Blanchard Companies) will not enter into a similar licensing arrangement for the creation of another college or graduate level business school where this license includes the use of the names Blanchard or Ken Blanchard, and Significant Education (and GCU) agrees that The Ken Blanchard College of Business will be the only business-curriculum-based school existing under or within GCU.

7. **CONTINUENCE OF EXCLUSIVITY**.

Notwithstanding Section 6, "Exclusivity of License" the exclusive nature of this Agreement shall continue for its entire term if the total payments to Blanchard Education under this Agreement and to the Blanchard Companies under the Blanchard Companies Agreement by Significant Education reaches or exceeds one million dollars ($1,000,000) by December 31, 2007. If this payment threshold is not met, both aforementioned agreements will become non-exclusive, and the Parties will agree to meet and discuss their respective support for continuing the relationship and their respective obligations to one another.

8. **APPLICATION OF RIGHTS**.

Significant Education is solely responsible for the utilization and application of those rights which it secures under this Agreement; however, any use of the name Blanchard or Ken Blanchard by Significant Education beyond that use set forth herein may be viewed as a material breach of this Agreement by Significant Education, and could subject this Agreement and the rights granted hereunder to immediate termination.

9. **APPROVAL OF USE**.

Although this Agreement does not require that Blanchard Education approve each and every use of the names Blanchard and/or Ken Blanchard by Significant Education and/or GCU, Significant Education will use its best reasonable efforts to provide Blanchard Education with examples of all such use, and will consult with Blanchard Education regarding any use which creates or causes an objection from Blanchard Education.

10. **LIMITATIONS TO LICENSE**.

Nothing contained or construed to be contained in this Agreement shall constitute the grant by Blanchard Education of any right by way of license or otherwise to Significant Education to use any trademark, trade name, or other intellectual property asset of Blanchard Education for any purpose not expressly set forth herein. Furthermore, Significant Education may not license, sublicense, award, grant, sell, or give to any individual or entity who is not a party to this Agreement the right to use the names Blanchard or Ken Blanchard without the expressed written consent of Blanchard Education.

11. **TERM OF LICENSE**.

Unless terminated by either Party for reasons as set forth in Section 12, "Termination of Agreement", this Agreement shall become effective on the Effective date and shall have an initial term ("**Initial Term**") of five (5) years, with a subsequent term ("**Subsequent Term**") of five (5) years that will automatically come into effect unless either Party establishes in writing their opposition to such Subsequent Term within six (6) months of the expiration date of the Initial Term.

12. **TERMINATION OF AGREEMENT**.

This Agreement may only be terminated by either Party due to a material breach of this Agreement by one or the other Party; or in the event that Significant Education (i) makes a general assignment for the benefit of creditors, (ii) files a voluntary petition in bankruptcy or for reorganization or arrangement under the bankruptcy laws, (iii) if a petition for bankruptcy is filed against Significant Education, (iv) if a receiver or trustee is appointed for all or any part of the property or assets of Significant Education, (v) upon the occurrence of a senior secured creditor sale upon the assets of Significant Education, (vi) if Significant Education is generally unable to pay its debts as they come due in the ordinary course of business, or (vii) is unable to pay Blanchard Education those monies owed hereunder. Notwithstanding, this Agreement will immediately terminate if the Blanchard Agreement expires and is not renewed, or is terminated for any cause or reason.

13. **NOTICE OF BREACH**.

If either Party believes a material breach of this Agreement has occurred, that Party shall immediately notify the breaching Party in writing. Once the claimed breach is known to both Parties, every effort will be made to rectify and cure said breach. The breaching Party will have thirty (30) days following receipt of written notice to cure said breach to the other Party's satisfaction. If the breach can be cured, this Agreement will survive and remain in full force and effect. If a breach cannot be cured, and all attempts to do so fail, this License and the rights granted hereunder immediately cease.

14. **EFFECTS OF TERMINATION**.

Upon the termination of this Agreement, all rights granted hereunder to Significant Education shall revert to Blanchard Education and Significant Education shall immediately initiate a plan to end its use of the name Blanchard and/or Ken Blanchard in association with the activities of Significant Education and/or GCU. Within six (6) months following the termination of this Agreement, all use of the names Blanchard and/or Ken Blanchard by Significant Education and/or GCU will have ceased, and the Parties will make no further claims to or of a relationship between them.

15. **SURVIVIAL OF RIGHTS, DUTIES, AND OBLIGATIONS**.

The termination or expiration of this Agreement for any reason shall not release either Party from any Liability which at the time of termination or expiration has already accrued to the other Party, or which thereafter may accrue in respect of any act or omission prior to termination or expiration, or from any obligation which is expressly stated to survive termination or expiration.

16. **DISPUTE RESOLUTION**.

The Parties will make every effort to quickly address and resolve any dispute that may arise that would not be seen as a material breach of this Agreement. If after the investment of a reasonable amount of time by both Parties, such dispute cannot be resolved to both Parties' satisfaction, the Parties will agree to submit such dispute
to mediation.

17. **LICENSE FEES**.

In consideration for the rights granted Significant Education hereunder, including the right of GCU to name its College of Business the The Ken Blanchard College of Business, Significant Education will agree to pay Blanchard Education a royalty on all net tuition ("**Tuition Royalty**") (with "net tuition" defined as gross tuition less tuition credits and refunds) received by GCU as follows:

- Five percent (5%) on the net tuition received from 300 level and above Business Courses offered by or though the Ken Blanchard College of Business while this Agreement is in effect. To avoid any possibility of a misunderstanding between the Parties, "Business Courses" includes Accounting, Business, Finance, Management, and Marketing courses, but excludes all Computer Information Systems Classes or Courses.

18. **MEMBERSHIP INTERESTS IN SIGNIFICANT EDUCATION**

In addition to the above Tuition Royalty, Blanchard Education shall be entitled to receive the following membership interest in Significant Education in the future, (with the understanding that Significant Education holds and controls all the assets of GCU and that this membership interest would be seen and treated as ownership interest upon the sale of either Significant Education or GCU, a public offering of both or either entity, or any other liquidity event). It is understood that Blanchard Education may receive an aggregate of 5.26 Units in the Company, which, if issued at the time of this Agreement, would represent 5% of the outstanding Units of Significant Education, LLC. The parties agree that such Units are being issued in exchange for the property rights being granted to Significant Education hereunder in a manner that qualifies as a tax-free exchange of property for units pursuant to Section 721 of the Internal Revenue Code. Blanchard Education shall be entitled to receive such Units based on the schedule below when the combined total student enrollment in the business school exceeds the identified number at any given time while this Agreement is in effect, and that any Units so issued will not thereafter be lowered if total enrollment drops below the triggering threshold.

- 1.052 Units will be issued upon reaching two thousand (2000) students
- an additional 1.052 Units will be issued upon reaching five thousand (5000) students
- an additional 1.052 Units will be issued upon reaching ten thousand (10,000) students
- an additional 1.052 Units will be issued upon reaching seventeen thousand five hundred (17,500) students
- an additional 1.052 Units will be issued upon reaching twenty five thousand (25,000) students

Blanchard Education shall receive quarterly reports identifying the total number of students enrolled in courses offered by The Ken Blanchard College of Business. It is also understood that the student thresholds above include all branch or satellite campus locations. It is also understood that Blanchard Education's percentage ownership of Significant Education upon the issuance of any of such Units is subject to pro-rata dilution from the date hereof, consistent with the other members of Significant Education; provided, however, that Blanchard Education's percentage ownership shall not be diluted by more than 40% without the consent of Blanchard Education, which consent will not be unreasonably withheld. In the event that Blanchard Education does not consent to the dilution as described herein, Significant Education will nevertheless be entitled to pursue the dilutive transaction and dilute Blanchard Education (in addition to the other diluted members). If such dilution occurs without the consent of Blanchard Education, (i) Blanchard Education shall have the right with written notice to withdraw from Significant Education all further rights to use the name Ken Blanchard as allowed hereunder, and (ii) the loss of such rights shall not effect or in any way impact the obligation of Significant Education to award Blanchard Education the Units set forth by this Section 18. It is also understood that if Significant Education needs additional capital contributions, that Significant Education will first request that such capital contributions be made by Blanchard Education in proportion to its then percentage interest in Significant Education, assuming that the Units issuable to Blanchard Education were issued at such time, in order to allow Blanchard Education to maintain such percentage ownership consistent with the other members of Significant Education. The number of Units issuable to Blanchard Education shall be adjusted to reflect any splits or similar adjustments in the number of units in the Company. Upon receiving any Units, Blanchard Education shall execute a joinders' agreement to the Operating Agreement of the Company then in effect.

19. **PAYMENT OF TUITION ROYALTY**.

Significant Education shall pay Blanchard Education the Tuition Royalty within forty-five (45) days following that calendar quarter where the tuition is received by GCU that generates the Tuition Royalty obligation to Blanchard Education.

20. **TAX RESPONSIBILITY**.

It is understood that the Parties are each separately and solely responsible for any appropriate tax liability attached to those rights obtained, or to monies earned or received hereunder.

21. **RIGHT TO AUDIT**.

With reasonable notice, Blanchard shall have the right to audit the enrollment records of GCU for the sole purpose of determining the accuracy of the Tuition Royalty payments by Significant Education hereunder. Blanchard Education shall bear those costs which it may incur in conducting such audits, unless the result of such audit results in additional Tuition Royalties due Blanchard Education exceeding Five Thousand Dollars ($5,000.00). In such case, Significant Education will reimburse Blanchard Education its reasonable and documented audit costs.

22. **INDEMNIFICATION**.

Blanchard agrees to defend, indemnify, and hold Significant Education and GCU harmless from loss, claims, or damage to Significant Education or GCU, including attorney's fees, arising out of any legal action or suit based on any claim that the use of the name Blanchard or Ken Blanchard by Significant Education or GCU violates the intellectual property rights of any third party.

23. **TITLE**.

Nothing about this Agreement or license should be seen as awarding Significant Education or GCU ownership or title to the name Blanchard or Ken Blanchard.

24. **WARRANTY**.

Blanchard Education warrants that it has the right to enter into this Agreement and sufficient rights to the names Blanchard and Ken Blanchard to make the grants and commitments made in this Agreement.

25. **NOTICES**.

Any notice, consent, demand or request required or permitted by this Agreement shall be in writing, shall be effective upon receipt, and shall be transmitted by personal delivery, U.S. mail or national courier service (Federal Express, UPS), facsimile transmission if receipt is confirmed, or by email upon confirmation of both delivery and opening and with a hard copy sent by U.S. Mail to the Parties at the address first set forth herein.

26. **CONFIDENTIALITY**.

The rights conveyed by this Agreement and its contents shall be regarded as confidential and shall not be disclosed to any third party. The Parties also agree to keep confidential all information shared between the Parties related to the Parties' primary business activities, and this information includes but is not limited to financial information, client lists, student lists, and other GCU enrollment information.

27. **RELATIONSHIP OF THE PARTIES**.

Nothing in this Agreement shall be deemed to constitute, create, give effect to or otherwise recognize a franchise, partnership, joint venture, or formal business entity of any kind and the rights and obligations of the Parties shall be limited to those expressly set forth herein.

28. **NON-EXCLUSIVE REMEDIES**.

The remedies provided for in this Agreement are non-exclusive and are in addition to each other and to any other remedy available elsewhere in this Agreement or available generally at law or in equity.

29. **SEVERABILITY**.

If a court of competent jurisdiction should find any term or provision of this Agreement to be unenforceable and invalid, then such term or provision shall be severed from this Agreement, and the remainder of this Agreement shall continue in full force and effect.

30. **ASSIGNMENT**.

Neither Party may assign this Agreement or any of its rights or obligations hereunder without the prior written consent of the other Party.

31. **WAIVER.**

The waiver by either of the Parties of any breach or failure to enforce any of the terms and conditions of this Agreement at any time shall not in any way affect, limit or waive either Party's rights thereafter to enforce and compel strict compliance with every term and condition of this Agreement.

32. **HEADINGS**.

The headings in this Agreement are for convenience only and do not in any way limit or amplify the terms or conditions of this Agreement.

33. **NO BENEFIT TO OTHERS**.

The provisions set forth in this Agreement are for the sole benefit of the Parties hereto and their successors and assigns, and they shall not be construed as conferring any rights on any other persons.

34. FORCE MAJEURE.

Neither Party shall be in default or in breach of this Agreement for any failure or delay up to forty-five (45) days, when this delay is caused by an act of God, war, embargo civil disturbance, strike, or other occurrence beyond the Parties' control.

35. ENTIRE AGREEMENT.

This Agreement contains the full and complete agreement between the Parties related to the subject matter herein. This Agreement may not be supplemented, modified or amended except by a written instrument signed by a duly authorized representative or officer of Significant Education and Blanchard Education.

36. GOVERNING LAW AND JURISDICTION.

This Agreement and the rights and duties of the Parties hereunder shall be determined by the internal substantive laws of the State of Arizona. The state courts of Arizona shall have personal and subject matter jurisdiction over, and the Parties each hereby submit to the venue of such courts with respect to any disputes arising out of this Agreement and all objections to such jurisdiction and venue are hereby waived.

37. COUNTERPARTS.

This Agreement may be executed in one or more counterpart copies, each of which shall be deemed an original and all of which shall together be deemed to constitute one agreement.

IN WITNESS WHEREOF, the Parties duly authorized representatives identified below and the have agreed to the terms and conditions established by this Agreement as of the date first set forth above.

For: BLANCHARD EDUCATION, LLC

By: /s/ Tom McKee
Tom McKee, Managing Director

Date: June 30, 2004

For: SIGNIFICANT EDUCATION, LLC

By: /s/ Brent Richardson
Brent Richardson, CEO

Date: June 30, 2004

By the signature below, Ken Blanchard hereby acknowledges and consents to this Agreement and the use of the name Ken Blanchard under the terms herein.

/s/ Ken Blanchard
Ken Blanchard

Letter of Agreement

This Letter of Agreement ("**Agreement**") is entered into as of this 6th day of February, 2006 (the "**Effective Date**") by and between The Ken Blanchard Companies ("**KBC**') with offices at 125 State Place, Escondido, California 92029, and Grand Canyon University ("**GCU**") with offices at 3300 West Camelback Road, Phoenix, Arizona 85017. Within this Agreement, KBC and GCU may be referred to individually as a "Party" or collectively as the "Parties". For the purpose of this Agreement, it is understood that KBC has the right and authority to represent the interests of the legal entity known as Blanchard Education, LLC ("**Blanchard Education**"), and that GCU has the right and authority to represent the interests of the legal entity known as Significant Education LLC ("**Significant Education**").

Recitals

Whereas, the Parties have a contractual relationship that is recorded and documented in a Memorandum of Understanding (the "**MOU**") dated the 21st day of April, 2005; and

Whereas, Blanchard Education and Significant Education have a contractual relationship that is recorded and documented in a License Agreement (the "**License Agreement**") dated the 30th day of June, 2004; and

Whereas, the Parties now wish to terminate the MOU and amend the License Agreement; and

Whereas, this Agreement now sets forth and establishes the changes that the Parties wish to make to the License Agreement allowing for the termination of the MOU; and

Whereas, following the acceptance and execution of this Agreement by the Parties, the Parties shall capture that which is agreed to by this Agreement in a separate written instrument (the "**Amendment**"), and upon its execution by the Parties, the Amendment shall become part of the License Agreement.

Now, Therefore, in consideration of the mutual promises contained herein, and for other good and valuable consideration, the Parties agree as follow:

Agreement

1. <u>Additions to License Agreement</u>. The following new terms and conditions shall be added to the License Agreement:

- KBC shall grant GCU the right to use the intellectual property of KBC to develop various business courses (the "**GCU Courses"**) that will be offered to students of GCU through The Ken Blanchard College of Business. Prior to the execution of the Amendment, the Parties shall meet, discuss, and mutually agree as to how the development of the GCU Courses will be accomplished, and the details of this decision will be captured within the Amendment.
- KBC and GCU shall collaborate to develop CCU Courses that will be offered in a Masters in Business Administration program (the "**MBA Program**"), and GCU shall agree to pay KBC an eighteen percent (18%) tuition royalty (the "**MBA Tuition Royalty**") on the net tuition that GCU receives as a result of GCU offering the MBA Program to both ground and on-line students (with the term "net tuition" defined as gross tuition less credits and refunds). Immediately following the execution of this Agreement, the Parties shall meet, discuss, and

mutually agree as to how the development of the GCU Courses comprising the MBA Program will be accomplished, and the details of this decision will be captured in a written instrument between the Parties separate from this Agreement (and separate from the Amendment).

- KBC shall grant GCU the right to purchase for internal use the products and services offered by KBC, with the understanding that GCU will be charged cost plus 10% for such purchases.
- GCU shall grant KBC the right to annually award up to four (4) four-year undergraduate level full tuition scholarships (“**Full Tuition Scholarships**”); or four (4) two-year graduate level Full Tuition Scholarships (with the understanding that KBC may award any combination of Full Tuition Scholarships, but may not award more than eight Full Tuition Scholarships per calendar year).
- GCU shall grant KBC the right to annually award an unlimited number of reduced tuition scholarships (“**Reduced Tuition Scholarships**”) to employees of KBC and to immediate family members of KBC employees. The cost of these Reduced Tuition Scholarships shall be forty percent (40%) of the then current tuition (i.e., a sixty percent (60%) tuition discount). KBC will be responsible for explaining the additional financial obligations (books, housing if applicable, etc.) to any individual receiving either a Full Tuition Scholarship or a Reduced Tuition Scholarship.
- GCU shall agree that the Full Tuition Scholarships and the Reduced Tuition Scholarships apply to both ground and online degree programs offered by GCU.

2. Changes to License Agreement. The following changes shall be made to the License Agreement:

- Paragraph 6, “Exclusivity of License”, shall be modified to clarify that the right of GCU to use the intellectual property of KBC to develop the GCU Courses is non-exclusive.
- Paragraph 11, “Term of License”, shall be amended to extend the Initial Term of the License Agreement to February 6, 2011 (five (5) years from the Effective Date of this Agreement).
- The Tuition Fee established by Paragraph 17, “License Fees”, shall be changed from five percent (5%) to seven percent (7%).
- Paragraph 18, “Membership Interests in Significant Education”, shall be modified so that as of the Effective Date, Blanchard Education will have earned (and will receive) 2.104 Units of membership interest in Significant Education.

Now, by signing below, the Parties duly authorized representatives do hereby agree to the commitments and promises set forth by this Agreement as of the Effective Date.

For: **THE KEN BLANCHARD COMPANIES**	For: **GRAND CANYON UNIVERSITY**
By: /s/ Tom McKee Tom McKee, President and CEO	By: /s/ Brent Richardson Brent Richardson, President
Date: February 6, 2006	Date: February 6, 2006

Amendment to License Agreement

This Amendment to License Agreement (“**Amendment**”) is entered into as of this 8th day of May, 2008 (the “**Effective Date**”) by and between Blanchard Education, LLC, a California Limited Liability Corporation, including all of its offices, divisions, successors and assigns (“**Blanchard Education**”), and Grand Canyon Education, Inc., a Delaware corporation formerly known as Significant Education, Inc. (“**GCEI**”). Within this Amendment, Blanchard Education and GCEI may be referred to individually as a “**Party**” or collectively as the “**Parties**”.

RECITALS

WHEREAS, Blanchard Education and GCEI are parties to a License Agreement, dated as of June 30, 2004, as amended (the “**License Agreement**”); and

WHEREAS, the Parties desire to make the following amendments to the License Agreement.

NOW, THEREFORE, in considerations for the mutual promises contained here, and for other good and valuable consideration, the Parties agree as follows:

AGREEMENT

1. **Amendment to Section 18**. Section 18 of the License Agreement is hereby amended by deleting the heading and text of such Section in its entirety and replacing it with the following:

“18. **EQUITY INTEREST IN GCEI**

In addition to the above Tuition Royalty, GCEI agrees to issue to Blanchard Education, as of the date of the date of this Amendment, 200 shares of its common stock representing, as of the date of this Amendment, 1.2% of the outstanding shares of common stock of GCEI calculated on an as converted basis.”

2. **Amendment to Section 26**. Section 26 of the License Agreement is hereby amended by adding the following sentence to the end of the existing text of said Section:

“Anything in the foregoing to the contrary notwithstanding, GCEI may disclose information concerning the rights conveyed by this Agreement, its contents and such other information concerning GCEI if and to the extent required by applicable law, including in connection with any filings made by GCEI with the Securities and Exchange Commission or any national securities exchange upon which the stock of GCEI may be listed.”

3. **Full Force and Effect**. Except as provided above, the License Agreement shall remain in full force and effect.

4. **Counterparts**.

This Amendment may be executed in one or more counterpart copies, each of which shall be deemed an original and all of which shall together be deemed to constitute one agreement.

IN WITNESS WHEREOF, the Parties duly authorized representatives identified below have executed and delivered this Amendment as of the date first set forth above.

For: BLANCHARD EDUCATION, LLC	For: GRAND CANYON EDUCATION, INC.
By: /s/ Tom McKee Tom McKee, Managing Director	By: /s/ Brent Richardson Brent Richardson, CEO
Date: May 8, 2008	Date: May 8, 2008

Consent of Independent Registered Public Accounting Firm

We consent to the reference to our firm under the caption “Experts” and to the use of our report dated May 12, 2008 (except for Note 16, as to which the date is [•], 2008), in the Registration Statement on Form S-l and related Prospectus of Grand Canyon Education, Inc. for the registration of [•] shares of its common stock.

Ernst & Young LLP

Phoenix, Arizona

The foregoing consent is in the form that will be signed upon the determination of the pro forma financial information described in Note 16 to the financial statements.

/s/ Ernst & Young LLP

Phoenix, Arizona
May 12, 2008

CONSENT OF NOMINEE FOR DIRECTOR

Pursuant to Rule 438 of Regulation C promulgated under the Securities Act of 1933, as amended (the "Securities Act"), in connection with the Registration Statement on Form S-1 (the "Registration Statement") of Grand Canyon Education, Inc. ("Grand Canyon"), the undersigned hereby consents to being named and described as a director nominee in the Registration Statement and any amendment or supplement to any prospectus included in such Registration Statement, any amendment to such Registration Statement or any subsequent Registration Statement on Form S-1 filed pursuant to Rule 462(b) under the Securities Act and to the filing or attachment of this consent with such Registration Statement and any amendment or supplement thereto.

Date: May 13, 2008

By: /s/ David J. Johnson
Name: David J. Johnson

CONSENT OF NOMINEE FOR DIRECTOR

Pursuant to Rule 438 of Regulation C promulgated under the Securities Act of 1933, as amended (the "Securities Act"), in connection with the Registration Statement on Form S-1 (the "Registration Statement") of Grand Canyon Education, Inc. ("Grand Canyon"), the undersigned hereby consents to being named and described as a director nominee in the Registration Statement and any amendment or supplement to any prospectus included in such Registration Statement, any amendment to such Registration Statement or any subsequent Registration Statement on Form S-1 filed pursuant to Rule 462(b) under the Securities Act and to the filing or attachment of this consent with such Registration Statement and any amendment or supplement thereto.

Date: May 13, 2008

By: /s/ Jack A. Henry
Name: Jack A. Henry

DLA Piper US LLP
2415 East Camelback Road, Suite 700
Phoenix, AZ 85016
O 480.606.5126
F 480.606.5526
W www.dlapiper.com

May 13, 2008

OUR FILE NO. 364698-13

Securities and Exchange Commission
Judiciary Plaza
450 Fifth Street, N.W.
Washington, D.C. 20549-1004

Re: Grand Canyon Education, Inc.
Registration Statement on Form S-1

Dear Sir or Madam:

On behalf of our client Grand Canyon Education, Inc., a Delaware corporation (the "Company"), we transmit for filing under the Securities Act of 1933, as amended, the Company's Registration Statement on Form S-1 (the "Registration Statement") relating to the sale by the Company of up to $230,000,000 of the Company's common stock, par value $0.01 per share, together with the exhibits as listed in the Registration Statement. Manually executed signature pages have been signed prior to the time of this electronic filing and will be retained by the Company for five years. Please note that the Company has transmitted via wire transfer $9,039, representing the filing fee, to the account of the Securities and Exchange Commission at U.S. Bank.

The Company wishes to advise the Commission in connection with its filing of a position it has taken with respect to its presentation of its Selected Financial and Other Data appearing on p. 37 of the preliminary prospectus included in the Registration Statement. Under Item 301(a) of Regulation S-K, a registrant must furnish in comparative columnar form the required selected financial data for each of the last five fiscal years of the registrant (or for the life of the registrant and its predecessors, if less). For the reasons discussed below, the Company is presenting selected financial data for the entire period of its existence, which is comprised of the periods from February 2, 2004 through December 31, 2007 and is not including additional financial information (the "2003 Information") that, if derivable from the records of an entity from which the Company acquired certain assets and assumed certain liabilities, would not be comparable to subsequent periods.

The Company was formed in 2004 for the purpose of acquiring certain tangible assets and assuming certain liabilities of a non-profit entity (the "Non-Profit Entity") that operated a postsecondary educational institution. The Non-Profit Entity was established in 1949 and moved its operations to Phoenix, Arizona in 1951. The Non-Profit Entity was operated to fulfill its mission as a Baptist and then a Christian non-denominational college and not as a for-profit business. In 2003, the Non-Profit Entity's board of trustees initiated a process to evaluate alternatives as a result of its poor financial condition and, in February 2004, several of the Company's current stockholders formed the Company for the purpose of acquiring certain assets and assuming certain liabilities of the Non-Profit Entity. Upon the acquisition by the Company, the school converted to for-profit status.

Throughout the period from its founding through the 2004 acquisition and thereafter, the Non-Profit Entity operated as a non-profit enterprise governed by a self-perpetuating board of trustees and in a manner that reflected the substantial operational and philosophical differences inherent in the operation of a non-profit entity as compared to a for-profit enterprise. For example, the Non-Profit Entity was subject to accounting standards that differ greatly from those to which the Company is subject. In this regard, the Non-Profit Entity's financial statements were prepared in accordance with Statement of Financial Accounting Standards No. 117, *Financial Statements of Non-Profit Organizations* ("FAS 117"), pursuant to which it prepared a statement of financial position, in which it reported total assets, liabilities, and net assets; a statement of activities, in which it reported the change in net assets; and a statement of cash flows, in which it reported the change in its cash and cash equivalents. Under FAS 117, the Non-Profit Entity was also required to classify its net assets and present its statement of activities based upon the absence or existence of donor imposed restrictions — permanently restricted, temporarily restricted, and unrestricted. In addition, the Non-Profit Entity reported expenses by functional categories (programs, management and general, and fundraising) rather than by natural categories, and in the unrestricted column or category even though the source of the funds may have been restricted.

From an investor's perspective, the Non-Profit Entity's FAS 117 financial statements are not comparable to the Company's balance sheet, statement of operations and cash flow statement, because they differ substantially in the manner in which they present the entity's results. Importantly, they also reflect different business models, insofar as the Non-Profit Entity's revenue sources, which include donor contributions, gift annuities, and endowment income, differ substantially from those of the Company. In addition, the Non-Profit Entity's last fiscal year prior to the acquisition ended on June 30, 2003 and no financial statements were prepared for the period between June 30, 2003 and February 2, 2004. In the acquisition, the Company acquired only certain assets and assumed certain liabilities from the Non-Profit Entity and does not have access to the full historical records that would be necessary for it to attempt to reconstruct the historical FAS 117 information into a format resembling the Company's selected financial data as presented in the Registration Statement, without unreasonable effort and expense.

As a result of the Non-Profit Entity's history and operation as a non-profit organization, the significant differences in accounting standards followed by non-profits and for-profits, and the resulting incomparability between the business and financial statements of the Non-Profit Entity as compared to those of the Company, the Company believes that presenting the 2003 Information as part of its selected financial data in the Registration Statement would not be meaningful to investors or enhance their ability to understand the Company's business. Given the rapid growth in the Company's business and the fact that it has provided in the Registration Statement nearly four full periods of financial information, including the required audited financial information, that is based on the same standards and in a consistent format, we respectfully request that the staff accept our presentation as compliant with the intent of Item 301 (a) of Regulation S-K.

Please direct any questions or comments regarding this filing to the undersigned at (480) 606-5126.

Very truly yours,

DLA Piper US LLP

David P. Lewis
david.lewis@dlapiper.com

Enclosure

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