
**UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549**

FORM 10-Q

(Mark One)

- QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE
SECURITIES AND EXCHANGE ACT OF 1934**

For the quarterly period ended June 30, 2009

or

- TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE
SECURITIES EXCHANGE ACT OF 1934**

For the transition period from _____ to _____

Commission File Number: 001-34211

GRAND CANYON EDUCATION, INC.

(Exact name of registrant as specified in its charter)

DELAWARE
*(State or other jurisdiction of
Incorporation or organization)*

20-3356009
*(I.R.S. Employer
Identification No.)*

3300 W. Camelback Road
Phoenix, Arizona 85017
(Address, including zip code, of principal executive offices)

(602) 639-7500
(Registrant's telephone number, including area code)

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

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

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

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

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).
Yes No

The total number of shares of common stock outstanding as of July 30, 2009, was 44,595,794.

GRAND CANYON EDUCATION, INC.
FORM 10-Q
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PART I — FINANCIAL INFORMATION

Item 1. Financial Statements

GRAND CANYON EDUCATION, INC.
Statements of Operations

(In thousands, except per share amounts)	Three Months Ended June 30,		Six Months Ended June 30,	
	2009	2008	2009	2008
	Unaudited			
Net revenue	\$ 59,400	\$ 34,566	\$ 118,364	\$ 70,275
Costs and expenses:				
Instructional costs and services	20,047	12,408	38,379	24,028
Selling and promotional, including \$1,779 and \$1,413 for the three months ended June 30, 2009 and 2008, respectively, and \$3,391 and \$2,925 for the six months ended June 30, 2009 and 2008, respectively, to related parties	20,631	14,887	40,301	27,473
General and administrative	8,688	6,419	17,521	10,960
Royalty to former owner	74	466	148	1,488
Total costs and expenses	49,440	34,180	96,349	63,949
Operating income	9,960	386	22,015	6,326
Interest expense	(420)	(694)	(1,087)	(1,507)
Interest income	121	179	229	432
Income (loss) before income taxes	9,661	(129)	21,157	5,251
Income tax expense (benefit)	3,846	(49)	8,439	2,027
Net income (loss)	5,815	(80)	12,718	3,224
Preferred dividends	—	(268)	—	(521)
Net income (loss) available to common stockholders	\$ 5,815	\$ (348)	\$ 12,718	\$ 2,703
Net income (loss) per common share:				
Basic	\$ 0.13	\$ (0.02)	\$ 0.28	\$ 0.14
Diluted	\$ 0.13	\$ (0.02)	\$ 0.28	\$ 0.08
Shares used in computing net income (loss) per common share:				
Basic	44,846	19,142	45,159	19,089
Diluted	45,051	19,142	45,437	32,623

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

GRAND CANYON EDUCATION, INC.
Balance Sheets

(In thousands, except share data)	June 30, 2009 (Unaudited)	December 31, 2008
ASSETS:		
Current assets		
Cash and cash equivalents	\$ 24,742	\$ 35,152
Restricted cash and cash equivalents	6,230	2,197
Accounts receivable, net of allowance for doubtful accounts of \$7,110 and \$6,356 at June 30, 2009 and December 31, 2008, respectively	10,612	9,442
Income taxes receivable	1,398	1,576
Deferred income taxes	3,087	2,603
Other current assets	2,330	2,629
Total current assets	48,399	53,599
Property and equipment, net	58,146	41,399
Restricted cash and investments (of which \$0 and \$2,928 is restricted at June 30, 2009 and December 31, 2008, respectively)	483	3,403
Prepaid royalties	7,677	8,043
Goodwill	2,941	2,941
Deferred income taxes	8,216	7,404
Other assets	644	201
Total assets	\$ 126,506	\$ 116,990
LIABILITIES AND STOCKHOLDERS' EQUITY:		
Current liabilities		
Accounts payable	\$ 9,753	\$ 5,770
Accrued liabilities	11,178	9,674
Income taxes payable	67	172
Deferred revenue and student deposits	20,183	14,262
Due to related parties	1,666	1,197
Current portion of capital lease obligations	801	1,125
Current portion of notes payable	2,108	357
Total current liabilities	45,756	32,557
Capital lease obligations, less current portion	1,212	29,384
Notes payable, less current portion and other	25,573	1,459
Total liabilities	72,541	63,400
Commitments and contingencies		
Stockholders' equity		
Preferred stock, \$0.01 par value, 10,000,000 shares authorized; 0 shares issued and outstanding at June 30, 2009 and December 31, 2008	—	—
Common stock, \$0.01 par value, 100,000,000 shares authorized; 44,576,417 and 45,465,160 shares issued and outstanding at June 30, 2009 and December 31, 2008, respectively	446	455
Additional paid-in capital	52,469	64,808
Accumulated other comprehensive income	21	16
Accumulated earnings (deficit)	1,029	(11,689)
Total stockholders' equity	53,965	53,590
Total liabilities and stockholders' equity	\$ 126,506	\$ 116,990

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

GRAND CANYON EDUCATION, INC.
Statement of Stockholders' Equity
(In thousands, except share data)

(Unaudited)

	Common Stock		Additional Paid-in Capital	Accumulated Other Comprehensive Income	Accumulated Earnings (Deficit)	Total
	Shares	Par Value				
Balance at December 31, 2008	45,465,160	\$ 455	\$ 64,808	\$ 16	\$ (11,689)	\$ 53,590
Net income	—	—	—	—	12,718	12,718
Unrealized losses on available for- sale securities, net of taxes of \$3	—	—	—	5	—	5
Comprehensive income	—	—	—	—	—	12,723
Share-based compensation	—	—	1,577	—	—	1,577
Exercise of stock options	20,605	—	247	—	—	247
Excess tax benefits from share-based compensation	—	—	323	—	—	323
Repurchase and retirement of shares of the Company's common stock	(909,348)	(9)	(14,486)	—	—	(14,495)
Balance at June 30, 2009	<u>44,576,417</u>	<u>\$ 446</u>	<u>\$ 52,469</u>	<u>\$ 21</u>	<u>\$ 1,029</u>	<u>\$ 53,965</u>

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

GRAND CANYON EDUCATION, INC.
Statements of Cash Flows

(In thousands)	Six Months Ended June 30,	
	2009	2008
	(Unaudited)	
Cash flows provided by (used in) operating activities:		
Net income	\$ 12,718	\$ 3,224
Adjustments to reconcile net income to net cash provided by (used in) operating activities:		
Share-based compensation	1,577	—
Excess tax benefits from share-based compensation	(9)	—
Provision for bad debts	6,587	4,052
Depreciation and amortization	3,386	2,269
Deferred income taxes	(1,296)	(186)
Other	(14)	(112)
Changes in assets and liabilities:		
Accounts receivable	(7,757)	(3,868)
Prepaid expenses and other	333	(266)
Due to/from related parties	469	288
Accounts payable	2,942	619
Accrued liabilities	1,729	576
Income taxes receivable/payable	396	1,405
Deposit with former owner	—	3,000
Royalty payable to former owner	—	(7,428)
Prepaid royalties to former owner	—	(5,920)
Deferred revenue and student deposits	5,921	604
Net cash provided by (used in) operating activities	26,982	(1,743)
Cash flows used in investing activities:		
Capital expenditures	(11,111)	(3,504)
Purchase of campus land and buildings	(35,505)	—
Change in restricted cash and cash equivalents	(1,108)	2,064
Purchases of investments	—	(2,499)
Proceeds from sale or maturity of investments	—	2,470
Net cash used in investing activities	(47,724)	(1,469)
Cash flows provided by (used in) financing activities:		
Principal payments on notes payable and capital lease obligations	(976)	(719)
Proceeds from debt	25,547	—
Repurchase of common shares	(14,495)	—
Repayment on line of credit	—	(6,000)
Proceeds from related party payable on preferred stock	—	5,725
Repurchase of Institute Warrant	—	(6,000)
Repurchase of Institute Note Payable	—	(1,250)
Amount paid related to initial public offering	—	(2,484)
Excess tax benefits from share-based compensation	9	—
Net proceeds from exercise of stock options	247	—
Net cash provided by (used in) financing activities	10,332	(10,728)
Net decrease in cash and cash equivalents	(10,410)	(13,940)
Cash and cash equivalents, beginning of period	35,152	18,930
Cash and cash equivalents, end of period	\$ 24,742	\$ 4,990
Supplemental disclosure of cash flow information		
Cash paid for interest	\$ 1,276	\$ 2,382
Cash paid for income taxes	\$ 9,402	\$ 762
Supplemental disclosure of non-cash investing and financing activities		
Purchase of equipment through notes payable and capital lease obligations	\$ 2,116	\$ 760
Purchases of property and equipment included in accounts payable	\$ 1,041	\$ 479
Settlement of capital lease obligation	\$ 30,020	\$ —
Tax benefit of Spirit warrant intangible	\$ 314	\$ —
Value assigned to Blanchard shares	\$ —	\$ 2,996
Assumption of future obligations under gift annuities	\$ —	\$ 887
Accretion of dividends on Series C convertible preferred stock	\$ —	\$ 521

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

GRAND CANYON EDUCATION, INC.
Notes to Financial Statements
(In thousands, except share and per share data)
(Unaudited)

1. Nature of Business

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.

2. Summary of Significant Accounting Policies

Unaudited Interim Financial Information

The accompanying unaudited interim financial statements of the Company have been prepared in accordance with U.S. generally accepted accounting principles, consistent in all material respects with those applied in its financial statements included in its Annual Report on Form 10-K for the year ended December 31, 2008. Accordingly, they do not include all of the information and footnotes required by accounting principles generally accepted in the United States for complete financial statements. Such interim financial information is unaudited but reflects all adjustments that in the opinion of management are necessary for the fair presentation of the interim periods presented. Interim results are not necessarily indicative of results for a full year. This Quarterly Report on Form 10-Q should be read in conjunction with the Company's financial statements and footnotes included in its Annual Report on Form 10-K for the year ended December 31, 2008.

Revenue Recognition

Net 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, as well as from related educational resources such as access to online materials. Tuition revenue and most fees and related educational resources are recognized monthly over the applicable period of instruction, net of scholarships provided by the Company.

Derivatives and Hedging

Derivative financial instruments are recorded on the balance sheet as assets or liabilities and re-measured at fair value at each reporting date. For derivatives designated as cash flow hedges, the effective portion of the gain or loss on the derivative is reported as a component of other comprehensive income and reclassified into earnings in the same period or period during which the hedged transaction affects earnings. Gains and losses on the derivative representing either hedge ineffectiveness or hedge components excluded from the assessment of effectiveness are recognized in current earnings.

Derivative financial instruments enable the Company to manage its exposure to interest rate risk. The Company does not engage in any derivative instrument trading activity. Credit risk associated with the Company's derivatives is limited to the risk that a derivative counterparty will not perform in accordance with the terms of the contract. Exposure to counterparty credit risk is considered low because these agreements have been entered into with major credit-worthy institutions with strong credit ratings, and they are expected to perform fully under the terms of the agreements.

On June 30, 2009, the Company entered into two derivative agreements to manage its 30 Day LIBOR interest exposure related to its variable rate debt, which commenced in April 2009 until maturity in April 2014. The fair value of the corridor derivative asset as of June 30, 2009 was \$164 and is included in Other assets. The fair value of the forward starting interest rate swap is \$0 as of June 30, 2009. These derivative instruments were designated and formally documented as cash flow hedges of variable rate debt obligations.

The corridor instrument hedges variable interest rate risk starting July 1, 2009 through April 30, 2014 with a notional amount of \$12,695 as of June 30, 2009. The corridor instrument permits the Company to hedge its interest rate risk at several thresholds; the Company will pay variable interest rates based on the 30 Day LIBOR rates monthly until that index reaches 4%. If 30 Day LIBOR is equal to 4% through 6%, the Company will pay 4%. If 30 Day LIBOR exceeds 6%, the Company will pay actual 30 Day LIBOR less 2%. This reduces the Company's exposure to potentially increased interest rate risk.

The forward starting interest rate swap commences on May 1, 2010 and continues each month thereafter until April 30, 2014 and has an initial notional amount of \$11,982. The Company will receive 30 Day LIBOR and pay 3.245% fixed interest on the amortizing notional amount. Therefore, the Company has hedged its exposure to future variable rate cash flows in the future through April 30, 2014.

As of June 30, 2009 no derivative ineffectiveness was identified. Any ineffectiveness in the Company's derivative instruments designated as hedges would be reported in Interest expense in the statement of operations.

Fair Value of Financial Instruments

As of June 30, 2009, the carrying value of cash and cash equivalents, accounts receivable, account payable and accrued expenses approximate their fair value based on the liquidity or the short-term maturities of these instruments. The carrying value of debt approximates fair value as it is based on variable rate index. The carrying value of capital lease obligations approximate fair value based upon market interest rates available to the Company for debt of similar risk and maturities. The fair value of investments was determined using Statement of Financial Accounting Standard ("SFAS") No. 157, "Fair Value Measurements," Level 1 of the hierarchy of valuation inputs, with the use of observable market prices in the active market. The Company's

investment portfolio is primarily comprised of money market funds with AAA rating at more than one financial institution. Derivative financial instruments are carried at fair market value, determined using Level 2 of the hierarchy of valuation inputs, with the use of inputs other than quoted prices that are observable for the asset or liability.

Comprehensive Income

Total comprehensive income includes net income and other comprehensive income (loss), which consists solely of unrealized gains and losses on available-for-sale investments. Total comprehensive income for the six months ended June 30, 2009 and 2008 was \$12,723 and \$3,155, respectively.

Use of Estimates

The preparation of financial statements in conformity with U.S. generally accepted accounting principles 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.

GRAND CANYON EDUCATION, INC.
Notes to Financial Statements
(In thousands, except share and per share data)
(Unaudited)

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.

Reclassifications

Certain reclassification of prior year amounts have been made to the prior year balances to conform to the current period.

Recent Accounting Pronouncements

In April 2009, the Financial Accounting Standards Board ("FASB") issued Financial Statement Position ("FSP") No. FAS 107-1 and Accounting Principal Board ("APB") No. 28-1, "Interim Disclosures about Fair Value of Financial Instruments" ("FSP FAS 107-1" and "APB 28-1"). This statement increases the frequency of fair value disclosures from annual only to quarterly. FSP FAS 107-1 and APB 28-1 is effective for interim periods ending after June 15, 2009 and is effective for the Company with respect to this Form 10-Q. The Company's adoption of FSP FAS 107-1 and APB 28-1 did not have a material impact on its financial condition, results of operations or disclosures.

In May 2009, the FASB issued SFAS No. 165, "Subsequent Events" ("SFAS No. 165"), which provides guidance for management of reporting entities relating to the accounting for and disclosures of events that occur after the balance sheet date but before the financial statements are issued or are available to be issued. SFAS No. 165 requires entities to disclose the date through which subsequent events were evaluated as well as the rationale for the date selection. SFAS No. 165 is effective for interim and annual periods ending after June 15, 2009. Management has evaluated subsequent events for this interim reporting period through August 3, 2009. Given the centralization of operations and location of key management personnel, the Company believes this is a reasonable date through which to evaluate subsequent events. The adoption of SFAS No. 165 did not have an impact on the Company's financial condition, results of operations or disclosures.

In June 2009, the FASB approved the "FASB Accounting Standards Codification" ("Codification") as the single authoritative source for United States Generally Accepted Accounting Principles ("U.S. GAAP"). The Codification, which was launched on July 1, 2009, does not change current U.S. GAAP, but is intended to simplify user access by providing all authoritative U. S. GAAP in one location. All existing accounting standard documents will be superseded and all other accounting literature not included in the Codification will be considered nonauthoritative. The Codification is effective for interim and annual periods ending after September 15, 2009. The Codification is effective for the Company for the interim period ending September 30, 2009 and will not have an impact on the Company's financial condition or results of operations.

3. Spirit Transaction

On April 28, 2009, the Company acquired the land and buildings that comprise its ground campus and 909,348 shares of its common stock from Spirit Master Funding, LLC and Spirit Management Company, respectively (collectively, "Spirit") for an aggregate purchase price of \$50,000. Prior to the acquisition, the Company had leased the land and buildings from Spirit, accounting for the land as an operating lease and the buildings and improvements as capital lease obligations. To finance a portion of the purchase, the Company entered into a loan agreement with a financial institution pursuant to which it borrowed \$25,675. Under the terms of the loan agreement, the Company will make principal payments in equal monthly installments of \$143 plus accrued interest at 30 day LIBOR plus 3.5% (approximately 3.82% at June 30, 2009). All remaining unpaid principal is due on April 30, 2014. The loan agreement contains standard covenants, including covenants that, among other things, restrict the Company's ability to incur additional debt or make certain investments, require the Company to maintain compliance with certain applicable regulatory standards, and require the Company to maintain a certain financial condition. Indebtedness under the loan agreement is secured by the land and buildings that comprise the Company's ground campus. As of June 30, 2009, the Company is in compliance with its debt covenants.

The Company allocated \$14,495 of the purchase price to the repurchase of its common stock and the remaining \$35,505 to the land and buildings. Additionally, the Company removed the building and improvement assets and related capital lease obligations of \$29,796 and applied the deferred gain of \$1,429 as a reduction to the new building value.

4. Earnings Per Share

Basic earnings per common share is calculated by dividing net income available to common stockholders by the weighted average number of common shares outstanding for the period. Diluted earnings per common share reflects the assumed conversion of all potentially dilutive securities, consisting of stock options, 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. For employee equity awards, repurchased shares are also included for any unearned compensation adjusted for tax.

GRAND CANYON EDUCATION, INC.
Notes to Financial Statements
(In thousands, except share and per share data)
(Unaudited)

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 per common share.

	<u>Three Months Ended June 30,</u>		<u>Six Month Ended June 30,</u>	
	<u>2009</u>	<u>2008</u>	<u>2009</u>	<u>2008</u>
Denominator:				
Basic common shares outstanding	44,846,224	19,142,399	45,158,536	19,089,004
Effect of dilutive preferred stock	—	—	—	10,870,178
Effect of dilutive warrants and contingently issuable common stock	—	—	—	2,625,788
Effect of dilutive stock options and restricted stock	204,395	—	278,388	38,346
Diluted common shares outstanding	<u>45,050,619</u>	<u>19,142,399</u>	<u>45,436,924</u>	<u>32,623,316</u>

For the three months ended June 30, 2008, approximately 10,870,178 shares of preferred stock and 1,382,126 of warrants were excluded from the calculation of diluted earnings per share as their inclusion would have been anti-dilutive given the net loss.

5. Valuation and Qualifying Accounts

	<u>Balance at</u> <u>Beginning of</u> <u>Year</u>	<u>Charged to</u> <u>Expense</u>	<u>Deductions(1)</u>	<u>Balance at</u> <u>End of</u> <u>Period</u>
Allowance for doubtful accounts receivable:				
Six months ended June 30, 2009	\$ 6,356	6,587	(5,833)	\$ 7,110
Six months ended June 30, 2008	\$ 12,158	4,052	(768)	\$ 15,442

(1) Deductions represent accounts written off, net of recoveries.

6. Accrued Liabilities

Accrued liabilities consist of the following:

	<u>June 30,</u> <u>2009</u>	<u>December 31,</u> <u>2008</u>
Accrued compensation and benefits	\$ 7,317	\$ 5,340
Accrued interest	94	284
Deferred rent	39	34
Tax reserves, non-income tax related	233	710
FIN 48 accrual	244	299
Other accrued expenses	3,251	3,007
	<u>\$ 11,178</u>	<u>\$ 9,674</u>

7. Commitments and Contingencies

Leases

The Company leases certain land, buildings and equipment under non-cancelable operating leases expiring at various dates through 2015. Future minimum lease payments under operating leases due each year are as follows at June 30, 2009:

2009	\$ 1,590
2010	3,791
2011	3,491
2012	2,996
2013	2,846
Thereafter	13,055
Total minimum payments	<u>\$ 27,769</u>

Total rent expense and related taxes and operating expenses under operating leases for the six months ended June 30, 2009 and 2008 were \$2,376 and \$1,097, respectively.

Legal Matters

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.

GRAND CANYON EDUCATION, INC.
Notes to Financial Statements
(In thousands, except share and per share data)
(Unaudited)

We were previously a party to a dispute with SunGard Higher Education Managed Services Inc. (“SunGard”). On October 22, 2008, an arbitration panel issued a final award pursuant to which the Company and SunGard were awarded damages, with a net award to SunGard in the amount of approximately \$250 plus interest. The arbitration panel also held that each party would be responsible for its own attorneys’ fees and that the parties would equally share the arbitration costs. On January 14, 2009, we entered into a settlement agreement with SunGard regarding payment of the arbitration award and effecting a mutual release between the parties regarding all claims that were brought, or could have been brought, in the litigation and related arbitration, and all administrative matters relating to this dispute have been resolved. Therefore, as of June 30, 2009 there are no reserves for litigation related to this matter.

On August 14, 2008, the Office of Inspector General of the United States Department of Education (“OIG”) served an administrative subpoena on the Company requiring it to provide certain records and information related to performance reviews and salary adjustments for all of its enrollment counselors and managers from January 1, 2004 to the present. The Company is cooperating with the OIG to facilitate its investigation and has completed production of all requested documents. The Company cannot presently predict the ultimate outcome of the investigation or any liability or other sanctions that may result.

On September 11, 2008, the Company was served with a *qui tam* lawsuit that had been filed against the Company in August 2007 in the United States District Court for the District of Arizona by a then-current employee on behalf of the federal government. All proceedings in the lawsuit had been under seal until September 5, 2008, when the court unsealed the first amended complaint, which was filed on August 11, 2008. The *qui tam* lawsuit alleges, among other things, that the Company violated the False Claims Act by knowingly making false statements, and submitting false records or statements, from at least 2001 to the present, to get false or fraudulent claims paid or approved, and asserts that the Company improperly compensated certain of its enrollment counselors in violation of the Title IV law governing compensation of such employees, and as a result, improperly received Title IV program funds. The complaint specifically alleges that some of the Company’s compensation practices with respect to its enrollment personnel, including providing non-cash awards, have violated the Title IV law governing compensation. While the Company believes that the compensation policies and practices at issue in the complaint have not been based on success in enrolling students in violation of applicable law, the Department of Education’s regulations and interpretations of the incentive compensation law do not establish clear criteria for compliance in all circumstances, and some of these practices, including the provision of non-cash awards, are not within the scope of any explicit “safe harbor” provided in the compensation regulations. The complaint seeks treble the amount of unspecified damages sustained by the federal government in connection with the Company’s receipt of Title IV funding, a civil penalty for each violation of the False Claims Act, attorneys’ fees, costs, and interest. A number of similar lawsuits have been filed in recent years against for-profit educational institutions that receive Title IV funds. While the Company’s motion to dismiss the *qui tam* lawsuit has been denied, the Company is currently conducting discovery and plans to vigorously contest the lawsuit. Based on information available to date, management does not believe that the outcome of this proceeding would have a material adverse effect on the Company’s financial condition, results of operations or cash flows. However, the outcome of this proceeding is uncertain and the Company cannot presently predict the ultimate outcome of this case or any liability or other sanctions that may result. If it were determined that any of the Company’s compensation practices violated the incentive compensation law, the Company could be subject to substantial monetary liabilities, fines, and other sanctions or could suffer monetary damages.

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.

Tax Reserves, Non-Income Tax Related

From time to time the Company has exposure to various non-income tax related matters that arise in the ordinary course of business. At June 30, 2009 and December 31, 2008, the Company had reserved approximately \$233 and \$710, respectively, for tax matters where its ultimate exposure is considered probable and the potential loss can be reasonably estimated. During the three months ended June 30, 2009, a non-income tax related matter related to the Company’s classification of its online faculty as independent contractors was resolved with the Internal Revenue Service (“IRS”) and, effective July 1, 2009, all faculty for the Company will be treated as employees. The Company had reserved \$235 related to this matter, which approximated the amount paid.

8. Income Taxes

The Company’s uncertain tax positions are related to tax years that remain subject to examination by tax authorities. As of June 30, 2009, the earliest tax year still subject to examination for federal and state purposes was 2005. During the second quarter ended June 30, 2008, the IRS commenced an examination of the Company’s 2005 income tax return.

During the three months ended June 30, 2009, the Company revised its approach for the treatment of excess tax benefits in 2009 generated in connection with the exercise of a warrant to purchase the Company’s common stock. This exercise generated a leasehold intangible for income tax purposes that will be amortized over the life of the original term of the lease agreement. Given that the tax benefit related to an equity transaction, the benefit of this deduction has been and will continue to be recorded as a credit to additional paid-in capital as it is realized by the related deduction reducing income taxes that would otherwise be paid.

9. Share-Based Compensation

On September 27, 2008 the Company's shareholders approved the adoption of the 2008 Equity Incentive Plan ("Incentive Plan") and the 2008 Employee Stock Purchase ("ESPP"). A total of 4,199,937 shares of the Company's common stock were originally authorized for issuance under the Incentive Plan. On January 1, 2009 and in accordance with the terms of the Incentive Plan, the number of shares authorized for issuance under the Incentive Plan automatically increased by 2.5% of the number of shares of common stock issued and outstanding on December 31, 2008, or 1,136,629 shares, raising the total number of shares of common stock authorized for issuance under the Incentive Plan to 5,336,566 shares. Although the ESPP has not yet been implemented, a total of 1,049,984 shares of the Company's common stock have been authorized for sale under the ESPP.

The table below reflects the Company's share-based compensation expense recognized in the three and six months ended June 30, 2009 and 2008 related to stock options granted under the Incentive Plan:

	Three Months Ended		Six Months Ended	
	June 30,		June 30,	
	2009	2008	2009	2008
Instructional costs and services	\$ 90	\$ —	\$ 173	\$ —
Selling and promotional	43	—	78	—
General and administrative	662	—	1,305	—
Stock-based compensation expense included in operating expenses	795	—	1,556	—
Tax effect of share-based compensation	(318)	—	(622)	—
Share-based compensation expense, net of tax	<u>\$ 477</u>	<u>\$ —</u>	<u>\$ 934</u>	<u>\$ —</u>

GRAND CANYON EDUCATION, INC.
Notes to Financial Statements
(In thousands, except share and per share data)
(Unaudited)

10. Regulatory

The Company is subject to extensive regulation by federal and state governmental agencies and accrediting bodies. In particular, the Higher Education Act of 1965, as amended (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. The Company submitted its application for recertification in March 2008 in anticipation of the expiration of its provisional certification on June 30, 2008. The Department of Education did not make a decision on the Company's recertification application by June 30, 2008, and therefore the Company's participation in the Title IV programs has been automatically extended on a month-to-month basis until the Department of Education makes its decision. As of December 31, 2008 and June 30, 2009, 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.

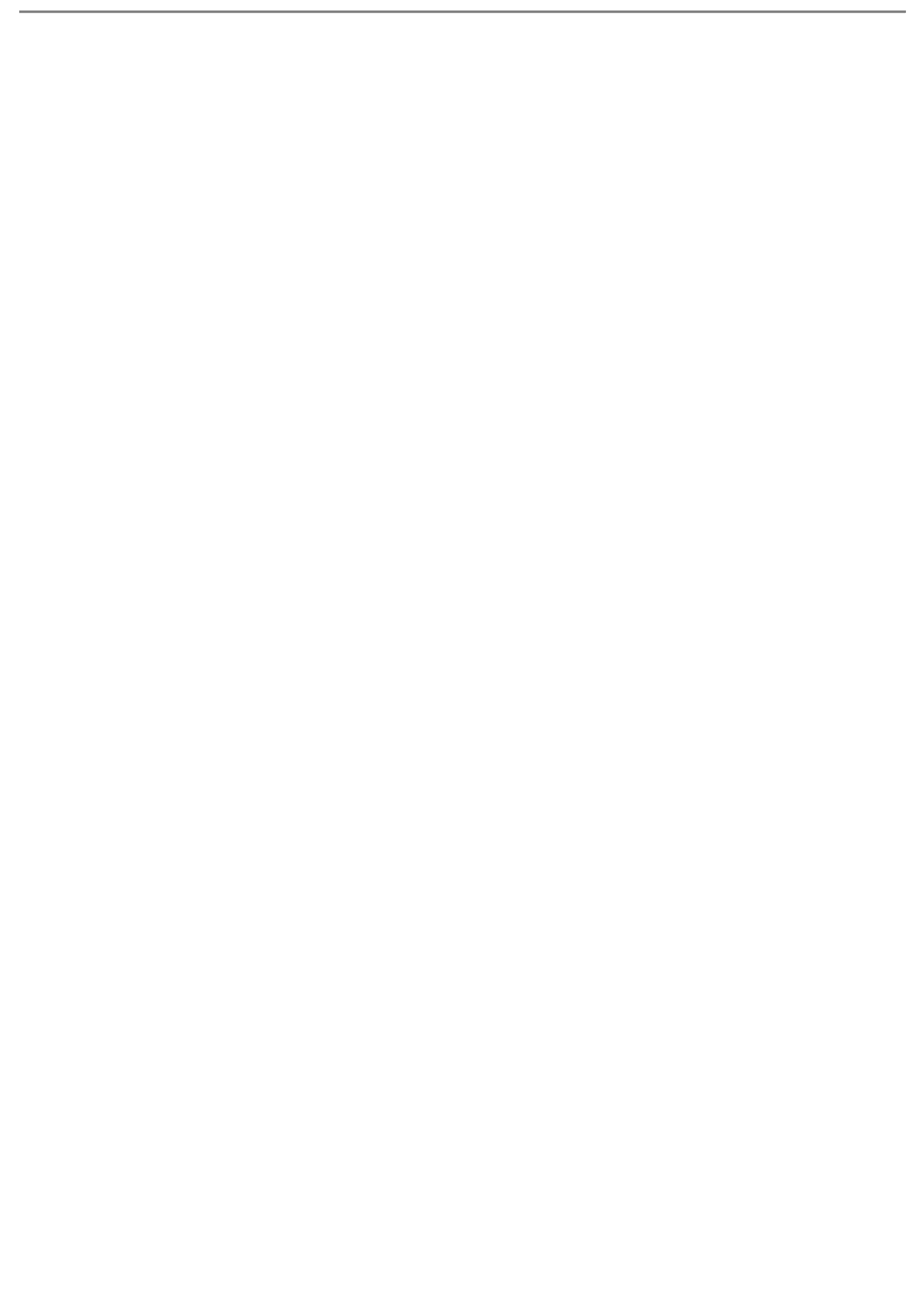
Political and budgetary concerns significantly affect the Title IV programs. Congress must reauthorize the student financial assistance programs of the Higher Education Act on a periodic basis. On July 31, 2008, Congress passed the Higher Education Opportunity Act (the "2008 Act"), which reauthorized and made numerous changes to the Higher Education Act and its programs. President Bush signed the 2008 Act on August 14, 2008. The Higher Education Act, as reauthorized and amended by the 2008 Act, continues the access of the Company and its students to Title IV funds. In addition, changes made by the 2008 Act will affect how the Company complies with the requirement that it receive a certain proportion of its revenue from other than the Title IV programs. Other recent changes made by Congress expanded the access of the Company and its students to Title IV funds by increasing loan limits for first and second year students and lifting restrictions on online education programs and students.

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. The 2008 Act included significant revisions to the requirements concerning institutions' cohort default rates, including revisions to the formula for calculating an institution's annual cohort default rate, and increases to the threshold for ending an institution's participation in the relevant Title IV programs from 25% to 30%.

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 Higher Learning Commission considered the Company's initial public offering to be a change in control under its policies. While we obtained the Higher Learning Commission's approval to consummate the offering, as a result of its determination that the public offering constituted a change in control, the Higher Learning Commission informed us that it would conduct a site visit to confirm the appropriateness of the approval and to evaluate whether we continue to meet the Higher Learning Commission's eligibility criteria. The Higher Learning Commission conducted its site visit in March 2009 and determined, among other things, that the initial public offering was conducted in a manner that did not disrupt the ongoing operations of the University and that no further action would be required as a result of the change in control.

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 it is possible that regulatory agencies or third parties could undertake investigations or make claims against the Company, or that such claims, if made, could 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.



Item 2. Management’s Discussion and Analysis of Financial Condition and Results of Operations

The following discussion of our historical results of operations and our liquidity and capital resources should be read in conjunction with the financial statements and related notes that appear elsewhere in this report.

Forward-Looking Statements

This Quarterly Report on Form 10-Q, including Item 2, *Management’s Discussion and Analysis of Financial Condition and Results of Operations*, contains certain “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 results of the ongoing investigation by the Department of Education’s Office of Inspector General and the pending *qui tam* action regarding the manner in which we have compensated our enrollment personnel, and possible remedial actions or other liability resulting therefrom;
- 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, including competition for qualified executives and other personnel;
- 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” and “Management’s Discussion and Analysis of Financial Condition and Results of Operations.”

Forward-looking statements speak only as of the date the statements are made. Factors that could cause actual results to differ from those discussed in the forward-looking statements include, but are not limited to, those described in “Risk Factors” in Part I, Item 1A of our Annual Report on Form 10-K for the fiscal year ended December 31, 2008, as updated in our subsequent reports filed with the Securities and Exchange Commission (“SEC”), including any updates found in Part II, Item 1A of this or other reports on Form 10-Q. 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.

Overview

We are a 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. In February 2004, several of our current stockholders acquired the assets of the school and converted its operations to a for-profit institution. Since then, 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 ground campus and 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.

At June 30, 2009, we had approximately 27,600 students, an increase of 67.3% over the approximately 16,500 students we had at June 30, 2008. At June 30, 2009, 95.0% of our students were enrolled in our online programs, and 50.1% were pursuing master's or doctoral degrees. In addition, we increased tuition prices for students in our online and professional studies programs by 2.3% to 15.5% for our 2009-10 academic year, depending on program, with an estimated blended rate increase of approximately 5.0%, as compared to tuition price increases of 5.0% to 5.3% for the prior academic year. Tuition for our traditional ground programs increased 11.2% for our 2008-09 academic year, as compared to a tuition price increase of 16.0% for the prior academic year. Tuition for our traditional ground programs will increase 6.6% for our 2009-10 academic year. The benefits of the enrollment and tuition price increases were partially offset by the continuing mix shift towards online programs, which have a lower tuition price per credit hour and with respect to which our online students take fewer credit hours per semester than our traditional ground students. Operating income was \$9.9 million for the quarter ended June 30, 2009, an increase of \$9.5 million over the \$0.4 million in operating income for the quarter ended June 30, 2008.

Critical Accounting Policies and Use of Estimates

Our critical accounting policies are disclosed in our Annual Report on Form 10-K for the fiscal year ended December 31, 2008. During the six months ended June 30, 2009, there have been no significant changes in our critical accounting policies.

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The following is a summary of our student enrollment at June 30, 2009 and 2008 (which included less than 150 students pursuing non-degree certificates in each period) by degree type and by instructional delivery method:

	June 30,			
	2009		2008	
	# of Students	% of Total	# of Students	% of Total
Master's or doctoral degree ⁽¹⁾	13,841	50.1%	10,051	60.9%
Bachelor's degree	13,781	49.9%	6,459	39.1%
Total	27,622	100.0%	16,510	100.0%

	June 30,			
	2009		2008	
	# of Students	% of Total	# of Students	% of Total
Online	26,234	95.0%	14,847	89.9%
Ground ⁽²⁾	1,388	5.0%	1,663	10.1%
Total	27,622	100.0%	16,510	100.0%

(1) Includes 228 students pursuing doctoral degrees at June 30, 2009.

(2) Includes a small number of our traditional ground students that are taking courses during the summer, as well as our professional students.

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:

Public company expenses. In November 2008, we completed an initial public offering of shares of our common stock and our shares are listed for trading on the Nasdaq Global Market. As a result, we will now 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 has caused us to incur, and will continue to cause us to incur, increased general and administrative expenses related to salaries and fees paid to 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 has made 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 in fiscal 2009, which will primarily be reflected in general and administrative costs.

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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 made an additional \$19.5 million payment to the former owner in April 2008, with these amounts serving as consideration for, among other things, final resolution of the dispute and related matters. A portion of the settlement payments has been treated as a prepaid royalty asset that will be amortized over 20 years at approximately \$0.3 million per year, which differs from the historical royalty expense.

Management fees and expenses. In connection with an August 2005 investment in us led by Endeavour Capital Fund IV, L.P. and affiliates (collectively, the “Endeavour Entities”), we entered into a professional services agreement with the Endeavour Entities’ general partner. Concurrent with the completion of our initial public offering in November 2008, the professional services agreement terminated by its terms. For the three and six months ended June 30, 2008, we incurred \$0.1 million and \$0.2 million, respectively, in fees and expenses under this agreement.

Share-based and other executive compensation. Prior to becoming a public company, we had not granted or issued any stock-based compensation. Accordingly, we had not recognized any stock-based compensation expense in prior periods. On November 19, 2008, in connection with our initial public offering, we made substantial awards to our directors, officers, and employees. In addition, on May 19, 2009, the Company granted 2,491 shares of restricted common stock with a fair value of \$14.05 and on March 3, 2009, the Company granted 1,307 shares of restricted common stock with a fair value of \$15.30 per share to each of David J. Johnson and Jack A. Henry, each of whom was appointed to the Company’s board of directors in November 2008. As a result, we incurred share-based compensation expenses in the three and six months ended June 30, 2009 totaling \$0.8 million and \$1.6 million, respectively, and will continue to incur expense in future periods as compared to no share-based compensation in the quarters ending prior to September 30, 2008.

General and administrative expenses and tax expense. In July 2008, we hired a new Chief Executive Officer, Chief Financial Officer, and Executive Vice President, and have since hired other financial, accounting, and administrative personnel. Accordingly, compensation expenses, as reflected in our general and administrative expenses, are higher beginning in the third quarter of 2008.

License agreement. In June 2004, we entered into a license agreement with Blanchard Education, LLC (“Blanchard”) relating to our use of the Ken Blanchard name for our College of Business. The license agreement remains in effect (unless terminated earlier) until February 6, 2016. Under the terms of that agreement, we agreed to pay Blanchard royalties and to issue to Blanchard up to 909,348 shares of common stock, with the actual number of shares to be issued to be contingent upon our achievement of stated enrollment levels in the College of Business programs during the term of the agreement. On May 9, 2008, the terms of the agreement were amended, pursuant to which Blanchard was issued a total of 365,200 shares of common stock in full settlement of all shares owed and contingently owed under this agreement. Thus, all remaining performance conditions based on enrollment thresholds were terminated. The shares issued were valued at the date the shares were earned and have been treated as a prepaid royalty asset that will be amortized over the remaining term of the license agreement. We will recognize approximately \$0.4 million per year in amortization expense related to the issuance of the common stock through February 2016.

Spirit transaction and related borrowings. On April 28, 2009, we acquired the land and buildings that comprise our ground campus and 909,348 shares of our common stock from Spirit Master Funding, LLC and Spirit Management Company, respectively (collectively, “Spirit”) for an aggregate purchase price of \$50 million. Prior to the acquisition, we had leased the land and buildings from Spirit, accounting for the land as an operating lease and the buildings and improvements as capital lease obligations. To finance a portion of the purchase, we entered into a loan agreement with a financial institution pursuant to which we borrowed \$25.7 million. Under the terms of the loan agreement, we will make principal payments in equal monthly installments of approximately \$143,000 plus accrued interest at 30 day LIBOR plus 3.5% (approximately 3.82% at June 30, 2009). All remaining unpaid principal is due on April 30, 2014. We allocated \$14.5 million to the repurchase of our common stock and the remaining \$35.5 million to the land and buildings. Additionally, we removed the building and improvement assets and related capital lease obligations of \$30.0 million and applied the deferred gain of \$1.4 million as a reduction to the new building value. Accordingly, interest expense will be lower starting in May 2009 as the effective interest rate for the capital lease obligations was approximately 8.7% as compared to variable rate debt at an effective interest rate of approximately 4.0% starting in May 2009.

Results of Operations

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

	<u>Three Months Ended June 30,</u>		<u>Six Months Ended June 30,</u>	
	<u>2009</u>	<u>2008</u>	<u>2009</u>	<u>2008</u>
Net revenue	100.0%	100.0%	100.0%	100.0%
Operating expenses				
Instructional cost and services	33.7	35.9	32.4	34.2
Selling and promotional	34.7	43.1	34.0	39.1
General and administrative	14.6	18.6	14.8	15.6
Royalty to former owner	0.1	1.3	0.1	2.1
Total operating expenses	83.2	98.9	81.4	91.0
Operating income	16.8	1.1	18.6	9.0
Interest expense	(0.7)	(2.0)	(0.9)	(2.1)
Interest income	0.2	0.5	0.2	0.6
Income (loss) before income taxes	16.3	(0.4)	17.9	7.5

Income tax expense (benefit)	<u>6.5</u>	<u>(0.1)</u>	<u>7.1</u>	<u>2.9</u>
Net income (loss)	<u>9.8</u>	<u>(0.2)</u>	<u>10.7</u>	<u>4.6</u>

Three Months Ended June 30, 2009 Compared to Three Months Ended June 30, 2008

Net revenue. Our net revenue for the quarter ended June 30, 2009 was \$59.4 million, an increase of \$24.8 million, or 71.8%, as compared to net revenue of \$34.6 million for the quarter ended June 30, 2008. This increase was primarily due to increased online enrollment and, to a lesser extent, increases in the average tuition per student caused by tuition price increases and an increase in the average credits per student, partially offset by an increase in institutional scholarships. End-of-period enrollment increased 67.3% between June 30, 2009 and 2008, as we were able to continue our growth and increase our recruitment, marketing, and enrollment operations. The year-over-year increase in net revenue exceeded the year-over-year increase in enrollment due to an increase in the average revenue per student primarily due to tuition price increases partially offset by the continuing decrease in traditional ground students as a percentage of the total student base.

Instructional cost and services expenses. Our instructional cost and services expenses for the quarter ended June 30, 2009 were \$20.1 million, an increase of \$7.7 million, or 61.6%, as compared to instructional cost and services expenses of \$12.4 million for the quarter ended June 30, 2008. This increase was primarily due to increases in instructional compensation and related expenses, faculty compensation, occupancy, depreciation and amortization, share-based compensation, and other miscellaneous instructional costs and services of \$3.9 million, \$1.9 million, \$0.8 million, \$0.4 million, \$0.1 million, and \$0.6 million, respectively. These increases are primarily attributable to the increased headcount (both staff and faculty) needed to provide student instruction and support services, including increased occupancy and equipment costs for the increased headcount, as a result of the increase in enrollments. Our instructional cost and services expenses as a percentage of net revenue decreased by 2.2% to 33.7% for the quarter ended June 30, 2009, as compared to 35.9% for the quarter ended June 30, 2008. 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, as well as increased class size, partially offset by an increase in employee compensation and related expenses as a percentage of revenue as we have increased the student to support personnel ratios to further improve the customer service to our students.

Selling and promotional expenses. Our selling and promotional expenses for the quarter ended June 30, 2009 were \$20.6 million, an increase of \$5.7 million, or 38.6%, as compared to selling and promotional expenses of \$14.9 million for the quarter ended June 30, 2008. This increase was primarily due to increases in selling and promotional employee compensation and related expenses, advertising, occupancy, and other selling and promotional related costs of \$2.2 million, \$3.0 million, \$0.4 million, and \$0.1 million, respectively. These increases were 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, and expenses related to our revenue sharing arrangement. Our selling and promotional expenses as a percentage of net revenue decreased by 8.4% to 34.7% for the quarter ended June 30, 2009, from 43.1% for the quarter ended June 30, 2008. This decrease occurred as a result of an increase in the productivity of our enrollment counselors that were hired during the third and fourth quarters of 2008, coupled with our efforts to focus on pursuing higher quality leads to increase enrollment. 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. We plan to continue to add additional enrollment counselors in the future, although the number of additional hires as a percentage of the total headcount is expected to decrease, and we therefore expect selling and promotional expenses as a percentage of net revenue to continue to decline in the future.

General and administrative expenses. Our general and administrative expenses for the quarter ended June 30, 2009 were \$8.7 million, an increase of \$2.3 million, or 35.4%, as compared to general and administrative expenses of \$6.4 million for the quarter ended June 30, 2008. This increase was primarily due to increases in employee compensation, bad debt expense, and share-based compensation, partially offset by decreases in legal, audit and corporate insurance expenses and other general and administrative expenses of \$1.2 million, \$0.9 million, \$0.7 million, \$0.4 million and \$0.1 million, respectively. Employee compensation increased primarily as a result of the additions in July 2008 to our executive management team and the hiring of other personnel needed to operate as a public company. Bad debt expense increased to \$3.3 million for the quarter ended June 30, 2009 from \$2.4 million for the quarter ended June 30, 2008 as a result of an increase in net revenue and the increase in aged receivables between periods. Share based compensation increased since prior to November 2008 we had never granted equity awards. The decrease in legal, audit, and corporate insurance is primarily related to lower legal costs in 2009 as a result of the settlement of the SunGard litigation and the completion of our initial public offering in November 2008, partially offset by increased insurance and audit costs associated with being a public company. Our general and administrative expenses as a percentage of net revenue decreased by 4.0% to 14.6% for the quarter ended June 30, 2009, from 18.6% for the quarter ended June 30, 2008. This decrease was primarily due to our ability to leverage our fixed infrastructure over an increasing revenue base, a decrease in bad debt expense as a percentage of revenue from 6.9% in the second quarter of 2008 to 5.5% in the second quarter of 2009 as a result of improved processes and an increase in the number of finance counselors, partially offset by increased employee compensation and related expenses as a percentage of net revenue as discussed above, and share-based compensation, which represented 1.2% of net revenue for the quarter ended June 30, 2009.

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 quarter ended June 30, 2009 of \$0.1 million, a decrease of \$0.4 million, or 84.1%, as compared to royalty expenses incurred of \$0.5 million for the quarter ended June 30, 2008 as a result of the elimination of the obligation to pay royalties to the former owner effective April 15, 2008. As discussed above, the only related expense in future periods will be the approximately \$0.3 million in annual amortization of the prepaid royalty asset that was established as a result of payments made to eliminate this future obligation. Our royalty expense as a percentage of net revenue decreased to 0.1% for the quarter ended June 30, 2009 from 1.3% for the quarter ended June 30, 2008.

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Interest expense. Our interest expense for the quarter ended June 30, 2009 was \$0.4 million, a decrease of \$0.3 million from \$0.7 million for the quarter ended June 30, 2008, as the average level of borrowings and related interest rates were significantly lowered as a result of the repurchase of the campus land and building and the conversion from a capital lease obligation at an effective interest rate of approximately 8.7% to a variable rate debt which was approximately 4.0% in May and June of 2009.

Interest income. Our interest income for the quarter ended June 30, 2009 was \$0.1 million, with no change from \$0.1 million for the quarter ended June 30, 2008, as a result of decreased short-term interest rates in 2009 offset by increased cash balances in 2009.

Income tax expense (benefit). Income tax expense for the quarter ended June 30, 2009 was \$3.8 million, an increase of \$3.9 million from a benefit of \$0.1 million for the quarter ended June 30, 2008. This increase was primarily attributable to increased income before income taxes. Our effective tax rate was 39.8% during the second quarter of 2009 compared to 38.6% during the second quarter of 2008. This slight increase is the result of income before taxes growing in excess of our permanent tax deductions.

Net income (loss). Our net income for the quarter ended June 30, 2009 was \$5.8 million, an increase of \$5.9 million, as compared to net loss of \$0.1 million for the quarter ended June 30, 2008, due to the factors discussed above.

Six Months Ended June 30, 2009 Compared to Six Months Ended June 30, 2008

Net revenue. Our net revenue for the six months ended June 30, 2009 was \$118.4 million, an increase of \$48.1 million, or 68.4%, as compared to net revenue of \$70.3 million for the six months ended June 30, 2008. This increase was primarily due to increased online enrollment and, to a lesser extent, increases in the average tuition per student caused by tuition price increases and an increase in the average credits per student, partially offset by an increase in institutional scholarships. End-of-period enrollment increased 67.3% between June 30, 2009 and 2008, as we were able to continue our growth and increase our recruitment, marketing, and enrollment operations. The year-over-year increase in net revenue exceeded the year-over-year increase in enrollment due to an increase in the average revenue per student primarily due to tuition price increases partially offset by the continuing decrease in traditional ground students as a percentage of the total student base.

Instructional cost and services expenses. Our instructional cost and services expenses for the six months ended June 30, 2009 were \$38.4 million, an increase of \$14.4 million, or 59.7%, as compared to instructional cost and services expenses of \$24.0 million for the six months ended June 30, 2008. This increase was primarily due to increases in instructional compensation and related expenses, faculty compensation, occupancy, depreciation and amortization, share-based compensation, and other miscellaneous instructional costs and services of \$6.8 million, \$3.5 million, \$1.5 million, \$0.7 million, \$0.2 million, and \$1.7 million, respectively. These increases are primarily attributable to the increased headcount (both staff and faculty) needed to provide student instruction and support services, including increased occupancy and equipment costs for the increased headcount, as a result of the increase in enrollments. Our instructional cost and services expenses as a percentage of net revenue decreased by 1.8% to 32.4% for the six months ended June 30, 2009, as compared to 34.2% for the six months ended June 30, 2008. 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, as well as increased class size, partially offset by an increase in employee compensation and related expenses as a percentage of revenue as we have increased the student to support personnel ratios to further improve the customer service to our students.

Selling and promotional expenses. Our selling and promotional expenses for the six months ended June 30, 2009 were \$40.3 million, an increase of \$12.8 million, or 46.7%, as compared to selling and promotional expenses of \$27.5 million for the six months ended June 30, 2008. This increase was primarily due to increases in selling and promotional employee compensation and related expenses, advertising, occupancy, and other selling and promotional related costs of \$5.4 million, \$5.4 million, \$0.8 million, and \$1.2 million, respectively. These increases were 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, and expenses related to our revenue sharing arrangement. Our selling and promotional expenses as a percentage of net revenue decreased by 5.1% to 34.0% for the six months ended June 30, 2009, from 39.1% for the six months ended June 30, 2008. This decrease occurred as a result of an increase in the productivity of our enrollment counselors that were hired during the third and fourth quarters of 2008, coupled with a focus on higher quality leads to enhance our efforts to enroll prospective students. 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. We plan to continue to add additional enrollment counselors in the future, although the number of additional hires as a percentage of the total headcount is expected to decrease, and we therefore plan to continue to reduce selling and promotional expenses as a percentage of net revenue in the future.

General and administrative expenses. Our general and administrative expenses for the six months ended June 30, 2009 were \$17.5 million, an increase of \$6.5 million, or 59.9%, as compared to general and administrative expenses of \$11.0 million for the six months ended June 30, 2008. This increase was primarily due to increases in bad debt expense, employee compensation, share-based compensation, legal, audit and corporate insurance expenses, and other general and administrative expenses of \$2.5 million, \$2.4 million, \$1.3 million, \$0.2 million and \$0.1 million, respectively. Bad debt expense increased to \$6.6 million for the six months ended June 30, 2009 from \$4.1 million for the six months ended June 30, 2008 as a result of an increase in net revenue and the increase in aged receivables between periods. Employee compensation increased primarily as a result of the additions in July 2008 to our executive management team and the hiring of other personnel needed to operate as a public company. Share based compensation increased since prior to November 2008 we had never granted equity awards had. The increase in legal, audit, and corporate insurance is primarily related to insurance and audit costs associated with being a public company. Our general and administrative expenses as a percentage of net revenue decreased by 0.8% to 14.8% for the six months ended June 30, 2009, from 15.6% for the six months ended June 30, 2008, primarily due to our ability to leverage our fixed infrastructure over an increasing revenue base, a decrease in our bad debt expense as a percentage of net revenue between periods from 5.8% of net revenue during the six months ended June 30, 2008 to 5.6% of net revenue during the six months ended

June 30, 2009, partially offset by increased employee compensation and related expenses as a percentage of net revenue as discussed above, and share-based compensation, which represented 1.1% of net revenue for the six months ended June 30, 2009.

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 six months ended June 30, 2009 of \$0.2 million, a decrease of \$1.3 million, or 90.1%, as compared to royalty expenses incurred of \$1.5 million for the six months ended June 30, 2008 as a result of the elimination of the obligation to pay royalties to the former owner effective April 15, 2008. As discussed above, the only related expense in future periods will be the approximately \$0.3 million in annual amortization of the prepaid royalty asset that was established as a result of payments made to eliminate this future obligation. Our royalty expense as a percentage of net revenue decreased to 0.1% for the six months ended June 30, 2009 from 2.1% for the six months ended June 30, 2008.

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Interest expense. Our interest expense for the six months ended June 30, 2009 was \$1.1 million, a decrease of \$0.4 million from \$1.5 million for the quarter ended June 30, 2008, as the average level of borrowings and related interest rates changed as a result of the repurchase of the campus land and buildings in late April 2009 from an effective borrowing rates of approximately 8.7% to variable rate debt at effective interest of approximately 4.0% starting in May 2009.

Interest income. Our interest income for the six months ended June 30, 2009 was \$0.2 million, a decrease of \$0.2 million from \$0.4 million for the six months ended June 30, 2008, as a result of decreased short-term interest rates in 2009 partially offset by higher cash balances in 2009 as a result of the owner settlement in 2008.

Income tax expense. Income tax expense for the six months ended June 30, 2009 was \$8.4 million, an increase of \$6.4 million from \$2.0 million for the quarter ended June 30, 2008. This increase was primarily attributable to increased income before income taxes. Our effective tax rate was 39.9% during the six months ended June 30, 2009 compared to 38.6% during the six months ended June 30, 2008. This slight increase is the result of income before taxes growing in excess of our permanent tax deductions.

Net income. Our net income for the six months ended June 30, 2009 was \$12.7 million, an increase of \$9.5 million, or 295%, as compared to net income of \$3.2 million for the six months ended June 30, 2008, 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 traditional ground students do not attend courses during the summer months (June through August), which affects our results for our second and third fiscal quarters. Since a significant amount of our campus costs are fixed, the lower revenue resulting from the decreased ground student enrollment has historically contributed to operating losses during those periods. 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 fluctuation in net revenue, resulting in higher operating income in the first and fourth quarters relative to other quarters. We expect quarterly fluctuation 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 six months ended June 30, 2009 and 2008 primarily through cash provided by operating activities, and loan proceeds of \$25.7 million received in the second quarter of 2009 used solely for the purchase of the land and buildings comprising our ground campus. Our unrestricted cash, cash equivalents, and marketable securities were \$25.2 million and \$35.6 million at June 30, 2009 and December 31, 2008, respectively. Our restricted cash, cash equivalents and investments at June 30, 2009 and December 31, 2008 were \$6.2 million and \$5.2 million, respectively.

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 at least the next 24 months.

Cash Flows

Operating Activities. Net cash provided by operating activities for the six months ended June 30, 2009 was \$27.0 million as compared to \$1.7 million used in operating activities for the six months ended June 30, 2008. Cash provided by operations in the six months ended June 30, 2009 resulted from our net income plus non cash charges for bad debts, depreciation and amortization and share-based compensation. The cash used in operation in the six months ended June 30, 2008 was primarily due to the \$19.5 million payment made in April 2008 in connection with the settlement with the former owners.

Investing Activities. Net cash used in investing activities was \$47.7 million and \$1.5 million for the six months ended June 30, 2009 and 2008, respectively. Cash used in investing activities is primarily related to the acquisition of our campus land and buildings from Spirit, for an allocated purchase amount of \$35.5 million. Other capital expenditures were \$11.1 million and \$3.5 million for the six months ended June 30, 2009 and 2008, respectively. Capital expenditures primarily consist of computer equipment, leasehold improvements, and office furniture and fixtures to support our increasing employee headcounts and increased internal use software development.

Financing Activities. Net cash provided by financing activities was \$10.3 million for the six months ended June 30, 2009 and net cash used in financing activities was \$10.7 million for the six months ended June 30, 2008. During the first six months of 2008, principal payments on notes payable, capital lease obligations, settlement with the prior owners and our line of credit were

offset by proceeds from preferred stock issuances. During the first six months of 2009, the proceeds from the loan agreement were partially offset by the repurchase of our shares from Spirit.

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Contractual Obligations

The following table sets forth, as of June 30, 2009, the aggregate amounts of our significant contractual obligations and commitments with definitive payment terms due in each of the periods presented (in millions):

	Total	Payments Due by Period			
		Less than 1 Year	2-3 Years	4-5 Years	More than 5 Years
Long term debt and notes payable ⁽¹⁾	\$ 27.4	\$ 1.1	\$ 6.1	\$ 3.6	\$ 16.6
Capital lease obligations ⁽¹⁾	2.0	0.4	1.6	0.0	0.0
Purchase obligations ⁽²⁾	8.9	4.9	3.3	0.4	0.3
Operating lease obligations	27.8	1.6	10.3	15.7	0.2
Total contractual obligations	<u>\$ 66.1</u>	<u>\$ 8.0</u>	<u>\$ 21.3</u>	<u>\$ 19.7</u>	<u>\$ 17.1</u>

(1) The material changes since December 31, 2008 are a result of the acquisition of the land and buildings comprising our ground campus in April 2009. In connection with this acquisition, we reduced our capital lease obligations for the buildings that we had previously leased and increased our debt obligations pursuant to the loan agreement with a financial institution that we entered into for the sole purpose of financing the acquisition of the campus land and buildings.

(2) The purchase obligation amounts include expected spending by period under contracts that were in effect at June 30, 2009. Less than one year represents spend from July 1, 2009 through December 31, 2009.

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 had 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.

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.

We define Adjusted EBITDA 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, (ii) management fees and expenses that are no longer paid, and (iii) share-based compensation.

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. 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 expenses, royalty expenses paid to our former owner and share-based compensation 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 not 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 former owner, including amortization of royalties prepaid in connection with our settlement, (ii) management fees and expenses that were payable until completion of our initial public offering, and (iii) share-based compensation.

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.

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

	Three Months Ended		Six Months Ended	
	June 30,		June 30,	
	2009	2008	2009	2008
	(Unaudited, in thousands)			
Net income (loss)	\$ 5,815	\$ (80)	\$ 12,718	\$ 3,224
Plus: interest expense net of interest income	299	515	858	1,075
Plus: income tax expense (benefit)	3,846	(49)	8,439	2,027
Plus: depreciation and amortization	1,680	1,179	3,238	2,269
EBITDA	11,640	1,565	25,253	8,595
Plus: royalty to former owner (a)	74	466	148	1,488
Plus: management fees and expenses (b)	—	96	—	211
Plus: share-based compensation (c)	813	—	1,577	—
Adjusted EBITDA	\$ 12,527	\$ 2,127	\$ 26,978	\$ 10,294

- (a) Reflects the royalty fee arrangement with our former owner 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 included a prepayment of future royalties that will be amortized in 2009 and future periods.
- (b) Reflects management fees and expenses of \$0.1 million and \$0.2 million for the three and six months periods ended June 30, 2008 to the general partner of the Endeavour Entities. The agreement relating to this arrangement has been terminated.
- (c) Reflects share-based compensation expense recorded in the first six months of 2009 related to share-based compensation for stock options granted to employees and directors in connection with our initial public offering and additional equity awards granted in subsequent periods.

Item 3. Quantitative and Qualitative Disclosures About Market Risk

Impact of inflation. We believe that inflation has not had a material impact on our results of operations for the six months ended June 30, 2009 or 2008. There can be no assurance that future inflation will not have an adverse impact on our operating results and financial condition.

Market risk. On June 30, 2009, we entered into two derivative agreements to manage our 30 Day LIBOR interest exposure from the variable rate debt we incurred in connection with the repurchase from Spirit of shares of our common stock and the land and buildings that comprise our campus, which debt matures in April 2014. The corridor instrument, which hedges variable interest rate risk starting July 1, 2009 through April 30, 2014 with a notional amount of \$12.7 million as of June 30, 2009, permits us to hedge our interest rate risk at several thresholds. Under this arrangement, in addition to the credit spread we will pay variable interest rates based on the 30 Day LIBOR rates monthly until that index reaches 4%. If 30 Day LIBOR is equal to 4% through 6%, we will pay 4%. If 30 Day LIBOR exceeds 6%, we will pay actual 30 Day LIBOR less 2%. The forward interest rate risk starts on May 1, 2010, continues each month thereafter until April 30, 2014, and has a notional amount of \$12.0 million. Under this arrangement, we will receive 30 Day LIBOR and pay 3.245% fixed on the amortizing notional amount plus the credit spread.

Except with respect to the foregoing, 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 in multiple financial institutions.

Interest rate risk. We manage interest rate risk by investing excess funds in cash equivalents and AAA-rated 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 June 30, 2009, a 10% increase or decrease in interest rates would not have a material impact on our future earnings, fair values, or cash flows. For information regarding our variable rate debt, see “Market risk” above.

Item 4. Controls and Procedures

Evaluation of Disclosure Controls and Procedures

We carried out an evaluation, under the supervision and with the participation of our management, including our chief executive officer and the chief financial officer, of the effectiveness of the design and operation of our disclosure controls and procedures, as defined in Rules 13a-15(e) and 15d-15(e) under the Securities Exchange Act of 1934, as amended (the “Exchange Act”). Based upon that evaluation, our chief executive officer and chief financial officer concluded that our disclosure controls and procedures are effective, as of June 30, 2009, in ensuring that material information relating to us required to be disclosed by us in reports that we file or submit under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in the SEC rules and forms. Disclosure controls and procedures include, without limitation, controls and procedures designed to ensure that information required to be disclosed by an issuer in reports it files or submits under the Exchange Act is accumulated and communicated to management, including its principal executive officer or officers and principal financial officer or officers, or persons performing similar functions, as appropriate to allow timely decisions regarding required disclosure.

Changes in Internal Control over Financial Reporting.

There were no changes in our internal control over financial reporting identified in connection with the evaluation required by Rule 13a-15(d) and 15d-15(d) of the Exchange Act that occurred during the period covered by this report that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

PART II — OTHER INFORMATION

Item 1. Legal Proceedings

We were previously a party to a dispute with SunGard Higher Education Managed Services Inc. (“SunGard”). On October 22, 2008, an arbitration panel issued a final award pursuant to which the Company and SunGard were awarded damages, with a net award to SunGard in the amount of approximately \$250,000 plus interest. The arbitration panel also held that each party would be responsible for its own attorneys’ fees and that the parties would equally share the arbitration costs. On January 14, 2009, we entered into a settlement agreement with SunGard regarding payment of the arbitration award and effecting a mutual release between the parties regarding all claims that were brought, or could have been brought, in the litigation and related arbitration, and all administrative matters relating to this dispute have been resolved. Therefore, as of June 30, 2009 there are no reserves for litigation related to this matter.

On August 14, 2008, the OIG served an administrative subpoena on Grand Canyon University requiring us to provide certain records and information related to performance reviews and salary adjustments for all of our enrollment counselors and managers from January 1, 2004 to the present. We are cooperating with the OIG to facilitate its investigation and have completed production of all requested documents. We cannot presently predict the ultimate outcome of the investigation or any liability or other sanctions that may result.

On September 11, 2008, we were served with a *qui tam* lawsuit that had been filed against us in August 2007. In the United States District Court for the District of Arizona by a then-current employee on behalf of the federal government. All proceedings in the lawsuit had been under seal until September 5, 2008, when the court unsealed the first amended complaint, which was filed on August 11, 2008. The *qui tam* lawsuit alleges, among other things, that we violated the False Claims Act by knowingly making false statements, and submitting false records or statements, from at least 2001 to the present, to get false or fraudulent claims paid or approved, and asserts that we improperly compensated certain of our enrollment counselors in violation of the

Title IV law governing compensation of such employees, and as a result, improperly received Title IV program funds. The complaint specifically alleges that some of our compensation practices with respect to our enrollment personnel, including providing non-cash awards, have violated the Title IV law governing compensation. While we believe that the compensation policies and practices at issue in the complaint have not been based on success in enrolling students in violation of applicable law, the Department of Education's regulations and interpretations of the incentive compensation law do not establish clear criteria for compliance in all circumstances, and some of these practices, including the provision of non-cash awards, are not within the scope of any explicit "safe harbor" provided in the compensation regulations. The complaint seeks treble the amount of unspecified damages sustained by the federal government in connection with our receipt of Title IV funding, a civil penalty for each violation of the False Claims Act, attorneys' fees, costs, and interest. While our motion to dismiss the *qui tam* lawsuit has been denied, we are currently conducting discovery and plan to vigorously contest the lawsuit.

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If it were determined that any of our compensation practices violated the incentive compensation law, we could experience an adverse outcome in the *qui tam* litigation and be subject to substantial monetary liabilities, fines, and other sanctions, any of which could have a material adverse effect on our business, prospects, financial condition and results of operations and could adversely affect our stock price. We cannot presently predict the ultimate outcome of this litigation or any liability or other sanctions that may result. It is possible that, during the course of the litigation, other information may be discovered that would adversely affect the outcome of the litigation.

From time to time, we are subject to ordinary and routine litigation incidental to our business. While the outcomes of these matters are uncertain, management does not expect that the ultimate costs to resolve these matters will have a material adverse effect on our financial position, results of operations or cash flows.

Item 1A. Risk Factors

Other than with respect to the risk factors below, there have been no material changes to the risk factors disclosed in the "Risk Factors" section of our Annual Report on Form 10-K for the year ended December 31, 2008 as updated in our Quarterly Report of Form 10-Q for the quarter ended March 31, 2009.

- As a result of the Company re-classifying its online faculty from independent contractors to employees, the risk factor containing the caption "[a] reclassification of our online faculty by federal or state authorities from independent contractor to employee status could materially increase our costs" is hereby removed.
- As a result of the expiration of the lock-up that was entered into by our pre-initial public offering stockholders, the risk factor containing the caption "[a] substantial portion of our outstanding common stock will soon be released from restrictions on resale and may be sold in the public market in the near future" is hereby removed.

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

Recent Sales of Unregistered Securities

None.

Purchases of Equity Securities by the Issuer and Affiliated Purchasers

On April 28, 2009, we acquired the land and buildings that comprise the ground campus of the University and 909,348 shares of our common stock from Spirit Master Funding, LLC and Spirit Management Company, respectively, for an aggregate purchase price of \$50 million. We allocated \$35.5 million of the \$50 million purchase price to the land and buildings and \$14.5 million to the repurchase of common stock, resulting in a deemed repurchase price for the shares of common stock of approximately \$15.94 per share.

Item 3. Defaults Upon Senior Securities

None.

Item 4. Submission of Matters to a Vote of Security Holders

Our 2009 Annual Meeting of Stockholders was held on May 19, 2009. Stockholders holding 28,130,193 shares, or 61.84% of the outstanding shares, were present in person or by proxy at the annual meeting. At the annual meeting, the stockholders (i) elected Brent D. Richardson, Brian E. Mueller, Christopher C. Richardson, Chad N. Heath, D. Mark Dorman, David J. Johnson, and Jack A. Henry to serve as directors until the next annual meeting of stockholders or the director's earlier resignation or removal and (ii) ratified the appointment of Ernst & Young LLP as the Company's independent registered public accounting firm for the 2009 fiscal year. The tabulation with respect to these matters follows:

Election of Directors

	For	Withhold / Against
Brent D. Richardson	27,519,046	611,147
Brian E. Mueller	27,593,323	536,870
Christopher C. Richardson	27,519,546	610,647
Chad N. Heath	27,472,521	657,672
D. Mark Dorman	27,207,740	922,453
David J. Johnson	27,953,060	177,133
Jack A. Henry	28,013,060	117,133

Ratification of Auditor

For	Against	Abstain
28,125,885	4,198	110

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Item 5. Other Information

None.

Item 6. Exhibits

(a) Exhibits

<u>Number</u>	<u>Description</u>	<u>Method of Filing</u>
3.1	Amended and Restated Certificate of Incorporation.	Incorporated by reference to Exhibit 3.1 to Amendment No. 6 to the Company's Registration Statement on Form S-1 filed with the SEC on November 12, 2008.
3.2	Amended and Restated Bylaws.	Incorporated by reference to Exhibit 3.2 to Amendment No. 6 to the Company's Registration Statement on Form S-1 filed with the SEC on November 12, 2008.
4.1	Specimen of Stock Certificate.	Incorporated by reference to Exhibit 4.1 to Amendment No. 2 to the Company's Registration Statement on Form S-1 filed with the SEC on September 29, 2008.
4.2	Amended and Restated Investor Rights Agreement, dated September 17, 2008, by and among Grand Canyon Education, Inc. and the other parties named therein.	Incorporated by reference to Exhibit 4.2 to Amendment No. 2 to the Company's Registration Statement on Form S-1 filed with the SEC on September 29, 2008.
10.1	Purchase and Sale Agreement, dated April 27, 2009, by and among Grand Canyon Education, Inc., Spirit Master Funding, LLC, and Spirit Management Company,	Filed herewith.
10.2	Loan Agreement, dated April 27, 2009, by and between Grand Canyon Education, Inc. and Bank of America, N.A.	Filed herewith.
31.1	Certification of Chief Executive Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.	Filed herewith.
31.2	Certification of Chief Financial Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.	Filed herewith.
32.1	Certification of Chief Executive Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002. †	Filed herewith.
32.2	Certification of Chief Financial Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002. †	Filed herewith.

† This certification is being furnished solely to accompany this report pursuant to 18 U.S.C. Section 1350, and is not being filed for purposes of Section 18 of the Exchange Act, and is not to be incorporated by reference into any filings of the Company, whether made before or after the date hereof, regardless of any general incorporation language in such filing.

SIGNATURES

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

GRAND CANYON EDUCATION, INC.

Date: August 3, 2009

By: /s/ Daniel E. Bachus
Daniel E. Bachus
Chief Financial Officer
(Principal Financial Officer and Principal Accounting Officer)

EXHIBIT INDEX

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4.2	Amended and Restated Investor Rights Agreement, dated September 17, 2008, by and among Grand Canyon Education, Inc. and the other parties named therein.	Incorporated by reference to Exhibit 4.2 to Amendment No. 2 to the Company's Registration Statement on Form S-1 filed with the SEC on September 29, 2008.
10.1	Purchase and Sale Agreement, dated April 27, 2009, by and among Grand Canyon Education, Inc., Spirit Master Funding, LLC, and Spirit Management Company,	Filed herewith.
10.2	Loan Agreement, dated April 27, 2009, by and between Grand Canyon Education, Inc. and Bank of America, N.A.	Filed herewith.
31.1	Certification of Chief Executive Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.	Filed herewith.
31.2	Certification of Chief Financial Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.	Filed herewith.
32.1	Certification of Chief Executive Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002. †	Filed herewith.
32.2	Certification of Chief Financial Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002. †	Filed herewith.

† This certification is being furnished solely to accompany this report pursuant to 18 U.S.C. Section 1350, and is not being filed for purposes of Section 18 of the Exchange Act, and is not to be incorporated by reference into any filings of the Company, whether made before or after the date hereof, regardless of any general incorporation language in such filing.

PURCHASE AND SALE AGREEMENT

THIS PURCHASE AND SALE AGREEMENT (this "Agreement") is made and entered into as of April 27, 2009, by and among (i) **SPIRIT MASTER FUNDING, LLC**, a Delaware limited liability company ("SMF"), and **SPIRIT MANAGEMENT COMPANY**, a Delaware corporation ("SMC") (references herein to "Seller" hereunder shall be deemed to be references to SMF and/or SMC as applicable), on the one hand, and (ii) **GRAND CANYON EDUCATION, INC.**, a Delaware corporation and the successor-in-interest to Significant Education, LLC, a Delaware limited liability company ("Purchaser"), on the other hand. Except as otherwise expressly defined herein, capitalized terms will have the meanings set forth on Exhibit A attached hereto and incorporated herein by this reference.

Recitals

WHEREAS, Purchaser is a regionally accredited provider of postsecondary education services, which it offers online and at the Property (as defined below);

WHEREAS, SMF is the owner of the Property and leases the Property to the Purchaser pursuant to the Lease;

WHEREAS, SMC is the record and beneficial owner of 909,348 shares of Purchaser's common stock, par value \$0.01 per share (the "Shares"), which Purchaser has the right to acquire at any time on or prior to November 18, 2011 for an aggregate purchase price of \$16,000,000, and which SMC may not transfer prior to such date; and

WHEREAS, Purchaser desires to purchase from Seller, and Seller desires to sell to Purchaser, the Property and the Shares upon the terms and conditions set forth herein.

NOW, THEREFORE, for and in consideration of the mutual covenants and promises hereinafter set forth, and for other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties hereby mutually covenant and agree as follows:

ARTICLE I**PURCHASE OF PROPERTY AND SHARES**

Section 1.01. Agreement To Purchase. Purchaser agrees to purchase, and Seller agrees to sell, in accordance with the terms, conditions and stipulations set forth in this Agreement (the "Transaction");

(a) all of SMF's right, title and interest in and to (i) the real property as more particularly described on Exhibit B attached hereto, and any and all improvements thereon and appurtenances thereto (collectively, the "Real Property"); (ii) the furniture, furnishings and fixtures affixed thereto, if any; (iii) all plans and specifications, engineering plans and studies, and floor plans and landscape plans pertaining to the Real Property in Seller's possession or under its control; (iv) all mineral, oil and gas rights, water rights, sewer rights and other utility rights allocated to the Real Property; (v) all

appurtenances, easements, licenses, privileges and other property interests belonging or appurtenant to the Real Property; (vi) any roads, streets and ways, public and private, serving the Real Property (including without limitation, all rights to develop the Real Property granted by Governmental Authorities having jurisdiction over the Real Property); and (vii) all other property interests belonging or appurtenant to the Real Property (all of the foregoing items in clauses (i) through (vii) above, now or hereafter existing, collectively, the “Property”); provided, that notwithstanding any provision contained in this Agreement, expressly excluded from the definition of “Property” are the following items: personal property, appliances, furniture and equipment owned by Tenant or owned or leased from third parties by the Tenant in possession of the Property pursuant to the Lease from time to time situated on or used in connection with the Property; and

(b) all of SMC’s right, title and interest in and to the Shares.

Section 1.02. Purchase Price. The purchase price to be paid by Purchaser to Seller for the Property and the Shares is Fifty Million and 00/100 Dollars (\$50,000,000) (the “Purchase Price”). The Purchase Price, with such adjustments as may be reflected on the closing settlement statements referenced in Sections 5.01(a)(iv) and 5.02(a)(iv), shall be paid on the Closing Date by wire transfer of immediately available federal funds to an account designated in writing by Seller.

Section 1.03. Prorations. All taxes, insurance, utilities and maintenance expenses relating to the Property for the year of Closing shall be prorated as of the Closing Date and Seller’s portion thereof shall be paid by the Tenant, to the extent that such expenses are obligations of the Tenant pursuant to the Lease. All rents paid in advance or payable pursuant to the Lease shall be prorated as of the Closing Date and shall be paid by Purchaser to Seller or by Seller to Purchaser, as applicable, at Closing.

Section 1.04. Condition of Property. Seller and Purchaser understand and agree that, except as expressly provided by the terms of this Agreement, Purchaser’s purchase of the Property and other rights to be conveyed, sold, transferred and/or assigned pursuant to this Agreement shall be on an “AS IS” “WHERE IS” physical basis, “WITH ALL FAULTS,” without representation or warranty, express or implied, with regard to physical condition, including without limitation, any latent or patent defects, conditions of soils or groundwater, existence or nonexistence of hazardous materials, quality of construction, workmanship, merchantability or fitness for any particular purpose as to the physical measurements or useable space thereof. Purchaser hereby acknowledges that Purchaser occupied the Property prior to Seller’s acquisition thereof; Purchaser has continued to occupy and operate its business on the Property since Seller’s acquisition thereof; Purchaser has inspected or will inspect the Property to Purchaser’s satisfaction; and Seller does not plan to conduct its own inspection and shall not be liable for any latent or patent defects in the Property. Purchaser acknowledges that, except as expressly set forth in this Agreement, neither Seller nor any representative or agent of Seller has made any representation or warranty as to any of the following: (a) the physical or environmental condition (including surface and subsurface conditions), state of repair, income, expenses, operations of the

Property and surrounding property; (b) the assignability, assumability, transferability or validity of any licenses, permits, government approvals, warranties or guaranties relating to the Property or the use and operation thereof; (c) the accuracy or completeness of any information provided by Seller with respect to the Property; (d) compliance or noncompliance with local, state or federal statutes, ordinances, orders or regulations concerning the Property or the use thereof; (e) prior or current operations conducted on the Property; (f) the operation of any business conducted at the Property; or (g) any matter or thing affecting or relating to the Property, the Lease or this Agreement not expressly set forth in this Agreement. Purchaser has not been induced by and has not relied upon any statement, representation or agreement, whether express or implied, not specifically set forth in this Agreement. Except as expressly set forth in this Agreement or any other Transaction Document, Seller shall not be liable or bound in any manner by any oral or written statement, agreement or information pertaining to the Property, the Tenant, the Lease or this Agreement furnished by any agent, employee or other Person.

Section 1.05. Purchaser's Financing Contingency. At or prior to the Closing, Purchaser shall have obtained a market rate loan for this Transaction in the amount of not less than Twenty Five Million and 00/100 Dollars (\$25,000,000) on terms acceptable to Purchaser, in its sole and absolute discretion (the "Loan"), which Loan may be secured by the Property and other assets of Purchaser. If Purchaser notifies Seller prior to the Closing that Purchaser is unable to obtain the Loan at or prior to the Closing, this Agreement shall terminate, in which event neither Purchaser nor Seller shall have any further duties or obligations under this Agreement, except as otherwise provided herein.

Section 1.06. Lease. The parties acknowledge that the Property is currently leased to Purchaser as Tenant under the Lease, and Seller and Purchaser hereby agree that they shall enter into, on or before the Closing Date, an unconditional and irrevocable termination of the Lease (the "Lease Termination") whereupon, effective upon Closing and except in Tenant's capacity as Purchaser under this Agreement and except for those provisions in the Lease that are to survive termination of the Lease, Tenant shall have no right, title or interest in or to the Property or any part thereof.

Section 1.07. Amendment to Lockup Restriction; Transfer Instructions. Purchaser currently has the right to acquire the Shares from SMC at any time prior to November 18, 2011, and the Shares are subject to a lock-up restriction that restricts SMC's ability to transfer the Shares prior to such date (the "Lock-Up Restriction"). On or before the Closing Date, Purchaser and Seller shall provide written instructions to Computershare Trust Company, N.A., as transfer agent of Purchaser ("Transfer Agent"), substantially in the form of Exhibit E attached hereto and incorporated herein ("Transfer Instructions"), directing the Transfer Agent, effective upon the Closing Date, to change the termination date of the Lock-Up Restriction from November 18, 2011 to the Closing Date and to transfer the Shares to Purchaser in accordance with the Transfer Instructions.

ARTICLE II

DUE DILIGENCE IN RESPECT OF THE PROPERTY

Section 2.01. Title Insurance.

(a) **Title Commitment and Title Policy.** Purchaser has ordered an owner's title insurance commitment ("Title Commitment") with respect to the Property issued by the Title Company, for an owner's ALTA extended coverage title insurance policy (the "Title Policy") in the amount of the Purchase Price, and a copy of the Title Commitment and copies of the Schedule B-2 exceptions have been delivered to Purchaser.

(b) **Title Company.** The Title Company is hereby employed by the parties to act as escrow agent in connection with the Transaction. This Agreement shall be used as instructions to the Title Company, as escrow agent, which may provide its standard conditions of acceptance of escrow; *provided, however*, that in the event of any inconsistency between such standard conditions of acceptance and the terms of this Agreement, the terms of this Agreement shall prevail. The Title Company's receipt of this Agreement and the opening of an escrow pursuant to this Agreement shall be deemed to constitute conclusive evidence of the Title Company's agreement to be bound by the terms and conditions of this Agreement pertaining to the Title Company.

(c) **Title Company Actions.** The Title Company is authorized to pay, from any funds held by it for each party's respective credit and in accordance with the closing statements executed by both parties, all amounts set forth on the closing statements as necessary to procure the delivery of any documents and to pay, on behalf of Purchaser and Seller, all charges and obligations payable by them, respectively, in connection with the Transaction. Seller and Purchaser will pay all charges payable by them to the Title Company. The Title Company shall not cause the consummation of the Transaction unless and until it has received written instructions from Seller and Purchaser to do so. The Title Company is authorized, in the event any conflicting demand is made upon it concerning these instructions or the escrow, at its election, to hold any documents and/or funds deposited hereunder until an action shall be brought in a court of competent jurisdiction to determine the rights of Seller and Purchaser or to interplead such documents and/or funds in an action brought in any such court. Deposit by the Title Company of such documents and funds, after deducting therefrom its reasonable expenses and attorneys' fees incurred in connection with any such court action, shall relieve the Title Company of all further liability and responsibility for such documents and funds.

(d) **Permitted Title Encumbrances.** Purchaser has approved the exceptions set forth in the Title Commitment that are set forth on Exhibit C attached hereto and each of Seller and Purchaser agrees that it shall take such actions as are necessary to enable the Title Company to issue the Title Policy subject only to the Permitted Encumbrances.

Section 2.02. Seller Documents. Seller has delivered to Purchaser, with respect to the Property, all of the following items, to the extent that such items are in Seller's possession or under its control (collectively, the "Seller Documents"):

(a) survey or site plan related to the Property (the "Survey");

(b) every environmental report relating to the Property (the "Environmental Report") and any other third party diligence reports relating to the Property;

(c) "as-built" plans and specifications for improvements on the Property;

(d) a certificate of occupancy for the Property;

(e) copies of any existing leases, if any, between Seller and tenants of the Property other than the Lease;

(f) all drawings, plans, specifications and all engineering reports for and relating to the Property; and

(g) any other document related to the Property that is reasonably requested by Purchaser, either prior to or after Closing.

Except as expressly set forth in this Agreement, Seller makes no representation or warranty regarding the Seller Documents, or any other materials relating to the Property delivered to Purchaser.

Section 2.03. Survey. Purchaser may order an update to the Survey (or a new survey) if required by the Title Company or otherwise required by Purchaser in connection with the Loan.

Section 2.04. Environmental. Purchaser may, at its sole cost and expense, order an update to the Environmental Report or a new Phase I environmental assessment report, if deemed necessary by Purchaser in its sole discretion.

Section 2.05. Inspections. Purchaser has performed whatever investigations, tests and inspections upon the Property that Purchaser deemed appropriate (collectively, the "Inspections") prior to the Closing Date. Purchaser hereby waives any objections based upon the Inspections.

ARTICLE III

CLOSING

Section 3.01. Closing Date. Subject to the provisions of Article V of this Agreement, the closing date of the Transaction (the "Closing") shall occur on or before April 30, 2009 (the "Closing Date").

Section 3.02. Actions Relating to the Transaction. On or before the Closing Date or as otherwise mutually agreed upon by Seller and Purchaser:

(a) the parties shall deposit with the Title Company and the Transfer Agent, as applicable, all documents (including without limitation, the executed Transaction Documents) necessary to comply with the parties' respective obligations with respect to the Transaction contemplated hereunder;

(b) Purchaser shall deposit the Purchase Price and the parties shall deposit any other funds required hereunder with the Title Company, in a timely manner to permit the consummation of the Transaction on the Closing Date; and

(c) (i) possession of the Property, free and clear of all tenants or other parties in possession, except for Purchaser as Tenant, and any subtenants of Tenant, and (ii) ownership of the Shares, free and clear of all liens and encumbrances, shall be delivered to Purchaser.

Section 3.03. Transaction Costs. Except as otherwise expressly set forth in this Agreement, all costs associated with the Transaction, including without limitation, updates (if any) of the Survey, the cost of the premium related to the Title Policy and all reasonable endorsements thereto, recording fees, transfer taxes and all closing and escrow costs, shall be shared one-half by Purchaser and one-half by Seller; *provided, however*, that notwithstanding the foregoing, each party shall bear its own attorneys' fees and costs in connection with the Transaction, and Purchaser shall bear all costs associated with its procurement of the Loan, including without limitation, any endorsements to any lender's title insurance policy, and the fees, if any, charged by the Transfer Agent in connection with the transfer of the Shares to Purchaser.

ARTICLE IV

REPRESENTATIONS WARRANTIES AND COVENANTS

Section 4.01. Seller. Seller represents and warrants to, and covenants with, Purchaser as follows:

(a) **Organization and Authority.** Seller is duly organized or formed, validly existing and in good standing under the laws of its state of formation. Seller has all requisite power and authority to execute, deliver and perform its obligations under this Agreement and all of the other Transaction Documents, and to carry out the Transaction. The Person who has executed this Agreement on behalf of Seller has been duly authorized to do so.

(b) **Enforceability of Documents.** Upon execution by Seller, this Agreement and the other Transaction Documents shall constitute the legal, valid and binding obligations of Seller, enforceable against Seller in accordance with their respective terms, except as such enforcement may be limited by bankruptcy, insolvency, reorganization, arrangement, moratorium, or other similar laws relating to or affecting the rights of creditors generally, or by general equitable principles.

(c) **No Other Agreements and Options.** Except as set forth in the Lease, Seller has made no commitment, obligation, or agreement, including, without limitation, any right of first refusal, option to purchase or lease granted to a third party, which could prevent Seller from completing or impair Seller's ability to complete the sale of the Property under this Agreement, or which would bind Purchaser subsequent to consummation of the Transaction.

(d) **No Violations.** The authorization, execution, delivery and performance of this Agreement and the other Transaction Documents will not (i) violate any provisions of the organizational documents of Seller, (ii) result in a violation of or a conflict with, or constitute a default (or an event which, with or without due notice or lapse of time, or both, would constitute a default) under any other document, instrument or agreement to which Seller is a party or by which Seller, the Property or any of the property of Seller is subject or bound, (iii) result in the creation or imposition of any lien, restriction, charge or limitation of any kind, upon the Property or the Shares, or (iv) to Seller's actual knowledge, without inquiry, violate any applicable law, statute, regulation, rule, ordinance, code, rule or order of any court or Governmental Authority.

(e) **Consents and Approvals.** No consent, approval, waiver, license, permit, order or authorization of, or registration, declaration or filing with, any Governmental Authority, and no consent, approval, waiver or other similar authorization of any other Person, is required to be obtained by or on behalf of Seller as a result of, or in connection with, or as a condition of the lawful execution, delivery and performance of this Agreement or the consummation of the Transaction contemplated hereby.

(f) **Compliance.** Except as may be contained in any Seller Document delivered to Purchaser, Seller has not received notification from any Governmental Authority or other third party that the Property or the condition or use thereof is in violation of (i) any applicable statutes, regulations, rules, ordinances, codes, licenses, permits, orders and approvals of any Governmental Authority having jurisdiction over the Property, (ii) any restrictions, covenants and encumbrances of record with respect to the Property, or (iii) any agreements, contracts, insurance policies and conditions applicable to the Property or the ownership, operation, use or possession thereof.

(g) **Compliance with Anti-Terrorism, Embargo, Sanctions and Anti-Money Laundering Laws.** Without in any way limiting the provisions of Section 4.01(f), Seller 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 or regulation.

(h) **Litigation.** Seller has not received notification from any Governmental Authority or third party of any legal, administrative, arbitration or other proceeding, claim or action pending or involving or, to Seller's actual knowledge without inquiry, threatened against or with respect to the Property before any Governmental Authority.

(i) **Title to Property.** Title to the Property is vested in Seller. Upon Closing, title to the Property shall be vested in Purchaser or its nominee or assigns (if any), free and clear of all liens, restrictions, encroachments and easements, except for the Permitted Encumbrances.

(j) **Title to Shares.** Seller is the sole record and beneficial owner of the Shares; and except for the Lock-Up Restriction, (i) Seller has good and valid title to the Shares, free and clear of all liens or encumbrances, and free and clear of any rights and restrictions of any nature other than those imposed by applicable federal and state securities laws ; and (ii) Seller is not bound by any contract, agreement, arrangement, commitment or understanding (written or oral) with, and has not granted any option, right or other interest to, any Person with respect to the Shares. Seller will transfer to Purchaser legal and beneficial ownership, and good and valid title, to the Shares, free and clear of all liens and encumbrances.

(k) **Condemnation; Blighted Areas; Wetlands.** Seller has not received notification from any Governmental Authority or third party of any pending or contemplated (i) condemnation or eminent domain proceedings affecting the Property, (ii) declaration of the Property being located in a blighted area, or (iii) designation of the Property as wetlands.

(l) **Environmental.** Except as may be contained in an Environmental Report, Seller has not received any written or oral notice or other communication regarding the Property from any Person (including but not limited to a Governmental Authority) relating to (i) Hazardous Materials, Regulated Substances or underground storage tanks, or remediation thereof, (ii) the possible liability of any Person pursuant to any Hazardous Materials Law, (iii) other environmental conditions in connection with the Property, or (iv) any actual or potential administrative or judicial proceedings in connection with any of the foregoing.

(m) **Securities Law Matters.**

(i) Seller is an institutional “accredited investor” as defined in Rule 501 under the Securities Act of 1933, as amended.

(ii) The decision to sell the Shares as part of the Transaction has been made by Seller, and Seller confirms that it has undertaken an independent analysis of the merits and risks of a sale of the Shares, based on Seller’s own financial circumstances.

(iii) Seller has had the opportunity to review publicly available information regarding Purchaser and to ask questions of, and receive answers from, Purchaser concerning such information (it being understood that Seller has neither requested nor received material, non-public information from Purchaser).

(iv) In making a decision to sell the Shares, Seller has not received or relied on any communication, investment advice, or recommendation from Purchaser.

All representations, warranties and covenants of Seller made in this Agreement, except as otherwise expressly set forth herein, shall survive for one (1) year following Closing.

Section 4.02. Purchaser. Purchaser represents and warrants to, and covenants with, Seller as follows:

(a) **Organization and Authority.** Purchaser is duly organized and formed, validly existing and in good standing under the laws of its state of formation. Purchaser has all requisite power and authority to execute, deliver and perform its obligations under this Agreement and all of the other Transaction Documents and to carry out the Transaction. The Person who has executed this Agreement on behalf of Purchaser has been duly authorized to do so.

(b) **Enforceability of Documents.** Upon execution by Purchaser, this Agreement and the other Transaction Documents shall constitute the legal, valid and binding obligations of Purchaser, enforceable against Purchaser in accordance with their respective terms, except as such enforcement may be limited by bankruptcy, insolvency, reorganization, arrangement, moratorium, or other similar laws relating to or affecting the rights of creditors generally, or by general equitable principles.

(c) **Litigation.** There are no actions or proceedings pending against or involving Purchaser before any Governmental Authority which in any way adversely affect or may adversely affect Purchaser or Purchaser's ability to perform under this Agreement and the other Transaction Documents.

(d) **OFAC List.** Purchaser 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.

(e) **Bankruptcy Petition.** Purchaser hereby agrees that it shall not institute against, or join any other Person in instituting against, Seller, any bankruptcy, reorganization, arrangement, insolvency or liquidation proceeding, or any other proceeding under any federal or state bankruptcy or similar law. The provisions of this Section shall survive Closing or termination of this Agreement.

(f) **Consents and Approvals.** No consent, approval, waiver, license, permit, order or authorization of, or registration, declaration or filing with, any Governmental Authority, and no consent, approval, waiver or other similar authorization of any other Person, is required to be obtained by or on behalf of Purchaser as a result of, or in connection with, or as a condition of the lawful execution, delivery and performance of this Agreement or the consummation of the Transaction contemplated hereby.

All representations, warranties and covenants of Purchaser made in this Agreement, except as otherwise expressly set forth herein, shall survive for one (1) year following Closing.

ARTICLE V

CONDITIONS PRECEDENT TO CLOSING

Section 5.01. Purchaser's Conditions to Closing. Purchaser shall not be obligated to effect the Closing until the fulfillment (or written waiver by Purchaser) of all of the following conditions:

- (a) Seller shall have delivered to the Title Company each of the following items:
 - (i) fully executed Deed, Lease Termination and all other Transaction Documents;
 - (ii) a duly executed FIRPTA affidavit from Seller in the form attached hereto as Exhibit D ("Non-Foreign Seller Certificate");
 - (iii) other documents that may be required by the Title Company for issuance of the Title Policy;
 - (iv) a closing settlement statement reflecting the credits, prorations, and adjustments contemplated by or specifically provided for in this Agreement;
 - (v) all documents required to be delivered by this Agreement and the other Transaction Documents with respect to the Property; and
 - (vi) such further documents as reasonably may be required in order to fully and legally effect the Transaction.
 - (b) Purchaser shall have received the Title Commitment and the Title Company's irrevocable commitment to insure title by means of the Title Policy, in form and substance acceptable to Purchaser.
 - (c) Purchaser's lender shall have received from the Title Company an irrevocable commitment to issue an ALTA lender's policy of title insurance, in form and substance acceptable to Purchaser's lender.
 - (d) Purchaser's lender shall have funded the Loan.
 - (e) The Transaction shall have been approved by Purchaser's board of directors.
 - (f) The acceptance of the Transfer Instructions by Transfer Agent.
-

Upon the fulfillment or Purchaser's written waiver of all of the above conditions, Purchaser shall deposit the Purchase Price with the Title Company for payment to Seller and the Closing of the Transaction shall occur in accordance with the terms and conditions of this Agreement. Unless otherwise dated, all of the documents to be delivered at Closing shall be dated as of the Closing Date.

Section 5.02. Seller's Conditions Precedent to Closing. Seller shall not be obligated to effect the Closing until the fulfillment (or written waiver by Seller) of all of the following conditions:

- (a) Purchaser shall have delivered to the Title Company each of the following items:
 - (i) the Purchase Price in immediately available federal funds;
 - (ii) fully executed Lease Termination and all other Transaction Documents;
 - (iii) other documents that may be required by the Title Company for issuance of the Title Policy;
 - (iv) a closing settlement statement reflecting the credits, prorations, and adjustments contemplated by or specifically provided for in this Agreement;
 - (v) all documents required to be delivered by this Agreement and the other Transaction Documents with respect to the Property; and
 - (vi) such further documents as reasonably may be required in order to fully and legally effect the Transaction.
- (b) Seller shall have obtained all third party consents deemed necessary in Seller's sole discretion for the release of any Seller mortgage or other document (including any securitization document) which encumbers the Property.
- (c) The delivery of the Transfer Instructions by Purchaser and the acceptance thereof by Transfer Agent.

ARTICLE VI

DEFAULTS; REMEDIES

Section 6.01. Default. Each of the following shall be deemed an event of default (each, an "Event of Default"):

- (a) if any representation or warranty of a party set forth in this Agreement or any other Transaction Document is false in any material respect or if a party renders any false statement; or

(b) if a party fails to keep or perform any of the terms or provisions of this Agreement or if any condition precedent is not satisfied by the other party.

Section 6.02. Purchaser Remedies. In the event of any Event of Default by Seller, Purchaser shall be entitled to exercise any one or more of the following remedies:

(a) Purchaser may seek specific performance and/or injunctive relief with respect to any covenants or agreements of Seller hereunder; and/or

(b) Purchaser may recover damages, including without limitation, Purchaser's actual and reasonable out-of-pocket costs related to this Agreement and the Transaction intended hereunder.

Section 6.03. Seller Remedies. In the event of any Event of Default by Purchaser, Seller shall be entitled to exercise any one or more of the following remedies:

(a) Seller may seek specific performance and/or injunctive relief with respect to any covenants or agreements of Purchaser hereunder; and/or

(b) Seller may recover damages, including without limitation, Seller's actual and reasonable out-of-pocket costs related to this Agreement and the Transaction intended hereunder.

Section 6.04. Waiver. Purchaser and Seller each hereby waive all other rights and remedies not expressly provided for herein, whether in law or in equity, including, without limitation, any right to seek rescission with respect to the transfer of, or assert any lien or other claim with respect to, the Property.

ARTICLE VII

MISCELLANEOUS

Section 7.01. Risk of Loss.

(a) **Condemnation.** If, prior to Closing, action is initiated to take the Property, or any portion thereof, by eminent domain proceedings or by deed in lieu thereof, Purchaser may elect at or prior to Closing, to (i) terminate this Agreement, in which event neither Purchaser nor Seller shall have any further duties or obligations under this Agreement, except as otherwise provided herein, or (ii) proceed to close, in which event all of Seller's assignable right, title and interest in and to the award of the condemning authority, to the extent that the amount of such award does not exceed the Purchase Price, shall be assigned to Purchaser at Closing and there shall be no reduction in the Purchase Price.

(b) **Casualty.** Seller assumes all risks and liability for damage to or injury occurring to the Property by fire, storm, accident, or any other casualty or cause until Closing has been consummated. If the Property, or any part thereof, suffers any damage prior to Closing from fire or other casualty, which Seller, at its sole option, does not elect to repair, Purchaser may elect at or prior to Closing, to (i) terminate this Agreement, in which event neither Purchaser nor Seller shall have any further duties or obligations under this Agreement, except as otherwise provided herein; or (ii) consummate Closing, in which event all of Seller's right, title and interest in and to the proceeds of any insurance covering such damage (less an amount equal to any expense and costs incurred by Seller to repair or restore the Property and any portion paid or to be paid on account of the loss of rents or other income from the Property for the period prior to the Closing Date, all of which shall be payable to Seller), to the extent that the amount of such insurance does not exceed the Purchase Price, shall be assigned to Purchaser at Closing.

Section 7.02. Notices. All notices, demands, designations, certificates, requests, offers, consents, approvals, appointments and other instruments given pursuant to this Agreement (collectively called "**Notices**") shall be in writing and given by (a) hand delivery; (b) express overnight delivery service; (c) certified or registered mail, return receipt requested; or (d) 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. Notices shall be provided to the parties and addresses (or facsimile numbers, as applicable) specified below:

If to Purchaser: Grand Canyon Education, Inc.
3300 West Camelback Road
Phoenix, AZ 85017
Attention: Daniel E. Bachus, Chief Financial Officer
Telephone: (602) 639-6648
Facsimile: (602) 639-7846
E-Mail: dbachus@gcu.edu

With a copy To: Grand Canyon Education, Inc.
3300 West Camelback Road
Phoenix, AZ 85017
Attention: Christopher C. Richardson, General Counsel
Telephone: (602) 639-6820
Facsimile: (602) 639-7846
E-Mail: crichardson@gcu.edu

and DLA Piper LLP (US)
2525 East Camelback Road Suite 1000
Phoenix, AZ 85016-4232
Attention: David P. Lewis
Telephone: (480) 606-5126
Facsimile: (480) 606-5526
E-Mail: david.lewis@dlapiper.com

If to Seller:

Spirit Master Funding, LLC
14631 North Scottsdale Road, Suite 200
Scottsdale, AZ 85254-2711
Attention: Mr. Gregg Seibert
Telephone: (480) 606-0820
Facsimile: (480) 606-0826
E-Mail: gseibert@spiritfinance.com

Spirit Management Company
14631 North Scottsdale Road, Suite 200
Scottsdale, AZ 85254-2711
Attention: Mr. Gregg Seibert
Telephone: (480) 606-0820
Facsimile: (480) 606-0826
E-Mail: gseibert@spiritfinance.com

With a copy to:

Kutak Rock LLP
1801 California Street, Suite 3100
Denver, CO 80202
Attention: Peggy A. Richter
Telephone: (303) 297-2400
Facsimile: (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. Whenever in this Agreement the giving of Notice is required, the giving thereof may be waived in writing at any time by the Person or Persons entitled to receive such Notice.

Section 7.03. Assignment. Neither Seller nor Purchaser may assign its respective rights and interests under this Agreement in whole or in part without the prior written consent of the other party; provided, that so long as written notice thereof is provided to all other parties hereto, either Seller or Purchaser may (in whole or in part) assign its respective rights and interests under this Agreement to any lender in connection with the Loan or any other financing provided to Seller or Purchaser or their respective Affiliates from time to time. No assignment of a party's respective rights and interests under this Agreement shall relieve such party of any liability for the performance of any obligation of such party contained herein.

Section 7.04. Indemnity. Intentionally deleted.

Section 7.05. Release.

(a) Expressly excluding any Losses or claims (i) related to all provisions of the Lease which are to survive the expiration or termination of the Lease, which provisions shall remain in full force and effect and shall not be subject to this Section 7.05(a), and (ii) arising under or related to this Agreement, which shall not be subject to this Section 7.05(a) and are expressly excluded herefrom, each party hereby releases the other party from all Losses and claims of whatever nature, whether known or unknown, which such party now has, or in the future may have with respect to the Property, the Lease and the Tenant.

(b) Effective as of the Closing Date, Seller hereby fully and forever releases and discharges Purchaser and its directors, officers, stockholders, agents, representatives, affiliates, and each person who controls any of them within the meaning of Section 15 of the Securities Act of 1933, as amended, or Section 20 of the Securities Exchange Act of 1934, as amended (each, a “Released Party”) of and any and all claims, accusations, demands, liabilities, obligations, responsibilities, suits, actions and causes of action, whether liquidated or unliquidated, fixed or contingent, known or unknown, or otherwise, that Seller ever had, now has, or may hereafter have or claim to have against the Released Parties, in each case, arising out of, relating to, or otherwise connected with the Shares or Seller’s ownership of the Shares; *provided, however*, that notwithstanding the foregoing, Seller retains all of its rights under this Agreement.

(c) Each party hereto agrees that, to the fullest extent permitted by law, it will not prosecute, nor allow to be prosecuted on its behalf, in any administrative agency, whether state or federal, or in any court, whether state or federal, any claim or demand of any type related to the matters released in this Section 7.05.

Section 7.06. Brokerage Commission. Each of the parties represents and warrants to the other that it has not dealt with, negotiated through or communicated with any broker, finder or intermediary for or on account of or in connection with this Transaction. Each party shall indemnify, defend and hold harmless each other party from and against any and all claims, loss, costs and expenses, including reasonable attorneys’ fees, resulting from any claims that may be made against such party by any other broker, finder or intermediary claiming a commission or fee by, through or under the other party. The parties’ respective obligations under this Section 7.06 shall survive Closing or termination of this Agreement.

Section 7.07. Reporting Requirements. The parties agree to comply with any and all reporting requirements applicable to the Transaction which are set forth in any law, statute, ordinance, rule, regulation, order or determination of any Governmental Authority, and further agree upon request, to furnish the other party with evidence of such compliance.

Section 7.08. Disclosure. Except as expressly provided in Section 7.07, in this Section 7.08 and by law or judicial action, neither Seller nor Purchaser will make any public disclosure of this Agreement or the other Transaction Documents, the Transaction or the provisions of the Transaction Documents without the prior written consent of the other party hereto. The parties also agree that, notwithstanding any provision contained in this Agreement, any party (and each employee, representative or other agent of any party) may disclose to *any and all Persons, without limitation of any kind*, any matter required under the Securities Act of 1933, as amended, or the Securities Exchange Act of 1934, as amended.

Section 7.09. Time is of the Essence. The parties hereto expressly agree that time is of the essence with respect to this Agreement.

Section 7.10. Non-Business Days. If the Closing Date or the date for delivery of a notice or performance of some other obligation of a party falls on a Saturday, Sunday or legal holiday in the state in which any Property is located, then the Closing Date or such notice or performance shall be postponed until the next Business Day.

Section 7.11. Waiver and Amendment. No provision of this Agreement 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.

Section 7.12. Personal Liability. Notwithstanding anything to the contrary provided in this Agreement, it is specifically understood and agreed, such agreement being a primary consideration for the execution of this Agreement by the parties, that (a) there shall be absolutely no personal liability on the part of any shareholder, director, officer, manager, member or employee of any party with respect to any of the terms, covenants and conditions of this Agreement; (b) each party ("First Party") waives all claims, demands and causes of action against the shareholders, directors, officers, managers, members or employees of the other party ("Second Party") in the event of any breach by the Second Party of any of the terms, covenants and conditions of this Agreement to be performed by the Second Party; and (c) the First Party shall look solely to the assets of the Second Party for the satisfaction of each and every remedy in the event of any breach by the Second Party of any of the terms, covenants and conditions of this Agreement to be performed by the Second Party, such exculpation of liability to be absolute and without any exception whatsoever.

Section 7.13. Headings; Internal References. The headings of the various sections and exhibits of this Agreement have been inserted for reference only and shall not to any extent have the effect of modifying the express terms and provisions of this Agreement. Unless stated to the contrary, any references to any section, subsection, exhibit and the like contained herein are to the respective section, subsection, exhibit and the like of this Agreement.

Section 7.14. Construction Generally. This is an agreement between parties who are experienced in sophisticated and complex matters similar to the Transaction and the other Transaction Documents, is entered into by both parties in reliance upon the economic and legal bargains contained herein and therein, and 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. Seller and Purchaser were each represented by legal counsel competent in advising them of their obligations and liabilities hereunder.

Section 7.15. Further Assurances. Each of the parties agrees, whenever and as often as reasonably requested so to do by the other party or the Title Company, to execute, acknowledge, and deliver, or cause to be executed, acknowledged, or delivered, any and all such further conveyances, assignments, confirmations, satisfactions, releases, instruments, or other documents as may be necessary, expedient or proper, in order to complete any and all conveyances, transfers, sales and assignments herein provided and to do any and all other acts and to execute, acknowledge and deliver any and all documents as so requested in order to carry out the intent and purpose of this Agreement.

Section 7.16. Attorneys' Fees. In the event of any controversy, claim, dispute or proceeding between the parties concerning this Agreement, the prevailing party 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.

Section 7.17. Entire Agreement. This Agreement, all other Transaction Documents, and all other certificates, instruments or agreements to be delivered hereunder and thereunder constitute the entire agreement between the parties with respect to the subject matter hereof, and there are no other representations, warranties or agreements, written or oral, between Seller and Purchaser with respect to the subject matter of this Agreement. Notwithstanding anything in this Agreement to the contrary, upon the execution and delivery of this Agreement by Seller and Purchaser, (a) this Agreement shall supersede any previous discussions, agreements, term sheets, letters of intent, or commitment letters relating to the Transaction, including without limitation, any and all agreements related to confidentiality, exclusivity, non-competition, non-solicitation of employees, non-solicitation or pursuit of any business opportunity represented by the Transaction, or any other term or condition which restricts any business activity of Seller or its Affiliates, (b) the terms and conditions of this Agreement shall control notwithstanding that such terms are inconsistent with or vary from those set forth in any of the foregoing agreements, and (c) this Agreement may only be amended by a written agreement executed by Seller and Purchaser. The provisions of this Section shall survive Closing.

Section 7.18. Recording. This Agreement shall not be recorded in any office of any Governmental Authority; provided, that Purchaser may file this Agreement with the Securities and Exchange Commission as required by law.

Section 7.19. Forum Selection; Jurisdiction; Venue; Choice of Law. For purposes of any action or proceeding arising out of this Agreement, the parties hereto expressly submit to the jurisdiction of all federal and state courts located in the State of Arizona, and consent that they 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. Nothing contained in this section shall limit or restrict the right of Seller to commence any proceeding in the federal or state courts located in the state or states in which the Property is located to the extent Seller deems such proceeding necessary or advisable to exercise remedies available under this Agreement.

Section 7.20. Separability; Binding Effect; Governing Law. Each provision hereof shall be valid and shall be enforceable to the extent not prohibited by law. If any provision hereof or the application thereof to any Person or circumstance shall to any extent be invalid or unenforceable, the remaining provisions hereof, or the application of such provision to Persons or circumstances other than those as to which it is invalid or unenforceable, shall not be affected thereby. Subject to the provisions of Section 7.03, all provisions contained in this Agreement shall be binding upon, inure to the benefit of and be enforceable by the successors and assigns of each party hereto, including, without limitation, any United States trustee, any debtor-in-possession or any trustee appointed from a private panel, in each case to the same extent as if each successor and assign were named as a party hereto. This Agreement shall be governed by, and construed in accordance with, the laws of the state of Arizona, without giving effect to its conflict of laws principles.

Section 7.21. Survival. Except for the conditions of Closing set forth in Article V, which shall be satisfied or waived in writing as of the Closing Date, and except as otherwise expressly set forth herein, all representations, warranties, agreements, obligations and indemnities of Seller and Purchaser set forth in this Agreement shall survive Closing.

Section 7.22. Waiver of Jury Trial and Certain Damages. THE PARTIES HERETO SHALL AND THEY HEREBY DO INTENTIONALLY WAIVE ANY AND ALL RIGHTS TO A TRIAL BY JURY IN ANY ACTION, PROCEEDING OR COUNTERCLAIM BROUGHT BY EITHER OF THE PARTIES HERETO AGAINST THE OTHER ON ANY MATTERS WHATSOEVER ARISING OUT OF OR IN ANY WAY CONNECTED WITH THIS AGREEMENT AND/OR ANY CLAIM OR INJURY OR DAMAGE RELATED THERETO. THE PARTIES FURTHER WAIVE THE RIGHT TO SEEK PUNITIVE, CONSEQUENTIAL, SPECIAL AND INDIRECT DAMAGES FROM THE OTHER PARTY IN ANY ACTION, PROCEEDING OR COUNTERCLAIM BROUGHT WITH RESPECT TO ANY MATTER ARISING OUT OF OR IN CONNECTION WITH THIS AGREEMENT AND/OR ANY DOCUMENT CONTEMPLATED HEREIN OR RELATED HERETO.

Section 7.23. Counterparts. This Agreement may be executed in two or more counterparts, each of which shall be deemed an original, and all such counterparts shall be deemed to constitute one and the same instrument. The parties agree that transmission of this Agreement by telecopy shall be deemed a transmission of this Agreement for all purposes.

Section 7.24. IRC Section 1031 Exchange of Property. The parties agree that, with respect to the Property, a party may elect to complete an Internal Revenue Code 1031 tax-deferred exchange that will not affect the terms and conditions of this Agreement; *provided, however,* that (a) the non-requesting party will cooperate with the requesting party to complete such exchange in a timely manner on the conditions that the non-requesting party shall not be obligated to pay, suffer or incur any additional expenses, liabilities or delays as a result of cooperating in the requesting party's exchange and the non-requesting party shall not be obligated to acquire any other real property in connection with such exchange; (b) the non-requesting party shall not have any liability to the requesting party for failure of the exchange to qualify under the Internal Revenue Code and Treasury Regulations; (c) any assignment(s) made by the requesting party in connection with such exchange shall not relieve the requesting party of its obligations under this Agreement; (d) the requesting party shall cause all documentation necessary or appropriate in connection with such exchange to be prepared and available for execution no later than the Closing Date; and (e) the completion of one or more tax-deferred exchanges is not a condition to the performance by the requesting party of its obligations set forth in this Agreement.

[Remainder of page intentionally left blank; signature page(s) to follow]

IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be executed and delivered as of the Closing Date.

SELLER:

SPIRIT MASTER FUNDING, LLC, a
Delaware limited liability company

By: Spirit Finance Corporation,
a Maryland corporation, as Property Manager

By: Spirit Finance Capital Management, LLC, a
Delaware limited liability company, as Manager

By: /s/ Michael T. Bennett
Printed Name: Michael T. Bennett
Title: Senior Vice President

SPIRIT MANAGEMENT COMPANY, a
Delaware corporation

By: /s/ Michael T. Bennett
Printed Name: Michael T. Bennett
Title: Senior Vice President

PURCHASER:

GRAND CANYON EDUCATION, INC., a
Delaware corporation

By: /s/ Daniel E. Bachus
Printed Name: Daniel E. Bachus
Title: Chief Financial Officer

EXHIBIT A

DEFINED TERMS

The following terms shall have the following meanings for all purposes of this Agreement:

“*Affiliate*” or any derivation thereof, 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 ownership of voting securities or otherwise.

“*Agreement*” means this Purchase and Sale Agreement.

“*Business Day*” means a day on which banks located in Scottsdale, Arizona are not required or authorized to remain closed.

“*Closing*” shall have the meaning set forth in Section 3.01.

“*Closing Date*” means the date specified as the closing date in Section 3.01.

“*Deed*” means that special warranty deed (or its equivalent under the laws of the State of Arizona) whereby Seller conveys to Purchaser all of Seller’s right, title and interest in and to the Property.

“*Environmental Report*” has the meaning set forth in Section 2.02(b).

“*Event of Default*” has the meaning set forth in Section 6.01.

“*First Party*” has the meaning set forth in Section 7.12.

“*Governmental Authority*” means the United States of America, any state, local or other political subdivision thereof, any other entity exercising executive, judicial, regulatory or administrative functions of or pertaining to government and any corporation or other entity owned or controlled (through stock or capital ownership or otherwise) by any of the foregoing.

“*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 Hazardous Materials 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.

“*Hazardous Materials Laws*” includes any and all federal, state and local laws, rules, regulations, statutes, and requirements pertaining or relating to the environmental condition of the Property or to Hazardous Materials.

“*Inspections*” has the meaning set forth in Section 2.05.

“*Lease*” means that certain Lease Agreement dated June 28, 2004, between Spirit Master Funding, LLC, a Delaware limited liability company, as successor-in-interest to Spirit Finance Acquisitions, LLC, a Delaware limited liability company, as landlord, and Tenant, together with all amendments, modifications and guaranties relating thereto.

“*Lease Termination*” has the meaning set forth in Section 1.06.

“*Loan*” has the meaning set forth in Section 1.05.

“*Lock-Up Restriction*” has the meaning set forth in Section 1.07.

“*Losses*” means any and all claims, lawsuits, suits, liabilities (including, without limitation, strict liabilities), actions, proceedings, obligations, debts, damages, losses, costs, expenses, diminutions in value, fines, interest, penalties, interest, charges, fees, expenses, judgments, decrees, awards, amounts paid in settlement and damages of whatever kind or nature (including, without limitation, attorneys’ fees, court costs and costs incurred in the investigation, defense and settlement of claims).

“*Non-Foreign Seller Certificate*” has the meaning set forth in Section 5.01(a)(ii).

“*Notices*” has the meaning set forth in Section 7.02.

“*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.

“*Permitted Encumbrances*” means the lien of any real estate taxes, water and sewer charges, not yet due and payable; those matters as may be set forth on the Survey; and those recorded easements, restrictions, liens and encumbrances set forth as exceptions in the Title Commitment and in the Title Policy to be issued by Title Company to Purchaser and approved by Purchaser as shown on the attached Exhibit C to this Agreement.

“*Person*” means any natural person, firm, corporation, partnership, limited liability company, other entity, state, political subdivision of any state, the United States of America, any agency or instrumentality of the United States of America, any other public body or other organization or association.

“*Property*” has the meaning set forth in Section 1.01(a).

“*Purchase Price*” means the amount specified in Section 1.02.

“*Real Property*” has the meaning set forth in Section 1.01(a).

“*Regulated Substances*” means “petroleum” and “petroleum-based substances” or any similar terms described or defined in any Hazardous Materials Laws and any applicable federal, state, county or local laws applicable to or regulating underground storage tanks.

“*Released Party*” has the meaning set forth in Section 7.05(b).

“*Second Party*” has the meaning set forth in Section 7.12.

“*Seller Documents*” has the meaning set forth in Section 2.02.

“*Shares*” has the meaning set forth in the Recitals.

“*Survey*” has the meaning set forth in Section 2.02(a).

“*Tenant*” means Grand Canyon Education, Inc., a Delaware corporation and the successor-in-interest to Significant Education, LLC, a Delaware limited liability company.

“*Title Commitment*” has the meaning set forth in Section 2.01(a).

“*Title Company*” means Fidelity National Title, 60 East Rio Salado Parkway, Suite 1110, Phoenix, Arizona 85281.

“*Title Policy*” has the meaning set forth in Section 2.01(a).

“*Transaction*” has the meaning set forth in Section 1.01.

“*Transaction Documents*” means this Agreement, the Lease Termination, the Deed, the Non-Foreign Seller Certificate, the Transfer Instructions, any and all documents referenced herein and therein, and such other documents, payments, instruments and certificates as are reasonably required by the Title Company.

“*Transfer Agent*” has the meaning set forth in Section 1.07.

“*Transfer Instructions*” has the meaning set forth in Section 1.07.

EXHIBIT B

LEGAL DESCRIPTION OF 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 EAST, 1630.12 FEET;

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 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 THE 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 EAST 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. 2002-0677117.

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 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 00 DEGREES 18 MINUTES 11 SECONDS WEST, 413.43 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.

IMPROVED PROPERTY COMMONLY KNOWN AS 3300 WEST CAMELBACK ROAD, PHOENIX, ARIZONA.

APN NOS. 153-17005F, 153-17-002D

EXHIBIT C

PERMITTED ENCUMBRANCES

See attached.

PERMITTED EXCEPTIONS

1. Property taxes, which are a lien not yet due and payable, including any assessments collected with taxes to be levied for the year 2009.
 2. The liabilities and obligations imposed upon said Land by reason of: (a) inclusion thereof within the boundaries of the Salt River Project Agricultural Improvement and Power District; (b) membership of the owner thereof in the Salt River Valley Water Users Association, and Arizona corporation and (c) the terms of any Water Right Application made under the reclamation laws of the United States for the purposes of obtaining water rights for said Land.
 3. The right of entry reserved to the State of Arizona, its lessees and permittees, to prospect for mine and remove the minerals or materials reserved to it pursuant to Arizona Revised Statutes.
 4. Water rights, claims or title to water, whether or not disclosed by the public records.
 5. Reservations, exceptions and provisions contained in the Patent from the United States of America, or in the acts authorizing the issuance thereof.
 6. Easement(s) for the purpose(s) shown below and rights incidental thereto as set forth in a document:
 Purpose: Gas Main
 Recording Date: March 4, 1958
 Recorded in Docket 2416, page 237.
 7. Easement(s) for the purpose(s) shown below and rights incidental thereto as set forth in a document:
 Purpose: Transmission Line
 Recording Date: September 27, 1960
 Recorded in Docket 3433, page 436.
 8. Easement(s) for the purpose(s) shown below and rights incidental thereto as set forth in a document:
 Purpose: Transmission Line
 Recording Date: September 1 1961
 Recorded in Docket 3830, page 547.
 9. Easement(s) for the purpose(s) shown below and rights incidental thereto as set forth in a document:
 Purpose: Transmission Line
 Recording Date: June 18, 1962
 Recorded in Docket 4183, page 307 and superseded by Easement recorded in Docket 8983, page 152.
-

10. Easement(s) for the purpose(s) shown below and rights incidental thereto as set forth in a document:

Purpose: Gas Main
Recording Date: October 1, 1971
Recorded in Docket 43 18, page 333.

11. Easement(s) for the purpose(s) shown below and rights incidental thereto as set forth in a document:

Purpose: Gas Main
Recording Date: April 10, 1963
Recorded in Docket 4533, page 447.

12. Easement(s) for the purpose(s) shown below and rights incidental thereto as set forth in a document:

Purpose: Transmission Lines
Recording Date: June 3, 1963
Recorded in Docket 4600, page 285.

13. Easement(s) for the purpose(s) shown below and rights incidental thereto as set forth in a document:

Purpose: Underground Power
Recording Date: June 12, 1973
Recorded in Docket 10 146, page 154 and re-recorded in Docket 101 77, page 65.

14. Easement(s) for the purpose(s) shown below and rights incidental thereto as set forth in a document:

Purpose: Traffic control
Recording Date: October 7, 1974
Recorded in Docket 10860, page 5 14.

15. Easement(s) for the purpose(s) shown below and rights incidental thereto as set forth in a document:

Purpose: Fire Hydrant
Recording Date: August 22, 1975
Recorded in Docket 1 130 1, page 47.

16. Easement(s) for the purpose(s) shown below and rights incidental thereto as set forth in a document:

Purpose: Underground Power
Recording Date: June 15, 1976
Recorded in Docket 1 1720, page 33 1.

17. Easement(s) for the purpose(s) shown below and rights incidental thereto as set forth in a document:

Purpose: Overhead and Underground Power
Recording Date: September 28, 1979
Recorded in Docket 1393 1, page 653.

18. Easement(s) for the purpose(s) shown below and rights incidental thereto as set forth in a document:

Purpose: Overhead and Underground Power
Recording Date: August 28, 1981
Recorded in Docket 1548 1, page 746.

19. Easement(s) for the purpose(s) shown below and rights incidental thereto as set forth in a document:

Purpose: Underground Power
Recording Date: June 28, 1982
Recorded in Docket 16 1 16, page 535. (Affects Parcel 1)

20. Easement(s) for the purpose(s) shown below and rights incidental thereto as set forth in a document:

Purpose: Underground Power Lines
Recording Date: February 18, 1983
Recording No. 1983-061652. (Parcel 2)

21. Easement(s) for the purpose(s) shown below and rights incidental thereto as set forth in a document:

Purpose: Water Lines
Recording Date: February 21, 1985
Recording No. 1985-076753.

22. Easement(s) for the purpose(s) shown below and rights incidental thereto as set forth in a document:

Purpose: Overhead and Underground Power
Recording Date: May 29, 1985
Recording No. 1985-243447.

23. Easement(s) for the purpose(s) shown below and rights incidental thereto as set forth in a document:

Purpose: Water Lines
Recording Date: August 8, 1985
Recording No. 1985-373649.

24. Easement(s) for the purpose(s) shown below and rights incidental thereto as set forth in a document:

Purpose: Water Lines
Recording Date: April 18, 1986
Recording No. 1986- 189452.

25. Easement(s) for the purpose(s) shown below and rights incidental thereto as set forth in a document:

Purpose: Underground Power
Recording Date: July 20, 1990
Recording No. 1990-325704
(Affects Parcel 1)

26. Easement(s) for the purpose(s) shown below and rights incidental thereto as set forth in a document:

Purpose: Underground Power Lines
Recording Date: June 9, 1992
Recording No. 1992-3 1 1994
(Parcel 2)

27. Notice of Telecommunication Service and Non-Exclusive Access Agreement dated 06/25/1997, recorded June 25, 1997 in Recording No. 1997-0428849.

28. Easement(s) for the purpose(s) shown below and rights incidental thereto as set forth in a document:

Purpose: Power Distribution
Recording Date: April 15,2002
Recording No. 2002-0382407
(Parcel 1)

29. Ordinance No. 5-29492 Authorizing Dedication of Easements dated 1011 612002, recorded October 23,2002 in Recording No. 2002-1 100596.

30. Easement(s) for the purpose(s) shown below and rights incidental thereto as set forth in a document:

Purpose: Electric Lines
Recording Date: January 29,2004
Recording No. 2004-0088432
(Parcel 1)

31. Easement(s) for the purpose(s) shown below and rights incidental thereto as set forth in a document:

Purpose: Power Distribution
Recording Date: July 28,2006
Recording No. 2006- 1009212
(Parcel 1)

32. Memorandum of Agreement (Arizona) dated 0112612007, recorded February 8,2007 in Recording No. 2007-0 162347.
 33. Memorandum of PCS Site Agreement dated 8/09/2000 recorded August 15, 2000 in Recording No. 2000-0621095, as affected by that certain Subordination, Non-Disturbance and Attornment Agreement recorded in Instrument No. _____.
 34. Memorandum of Lease by and between Grand Canyon University, kc., an Arizona non-profit corporation, as lessor, and Verizon Wireless (VAW) LLC, d/b/a Verizon Wireless, recorded April 4, 2003 in Recording No. 2003-0423487, as affected by that certain Subordination, Non-Disturbance and Attornment Agreement recorded in Instrument No. _____.
 35. Discrepancies, conflicts in boundary lines, shortages in area, encroachments, or any other matters which a correct ALTA survey would disclose and which are not shown by the public records.
-

SPIRIT MASTER FUNDING, LLC, a Delaware
limited liability company

By: Spirit Finance Corporation, a Maryland
corporation, as Property Manager

By: Spirit Finance Capital Management, LLC, a
Delaware limited liability company, as Manager

By: _____
Name: _____
Title: Senior Vice President

Subscribed and sworn to before me this ____ day of April, 2009.

Notary Public: _____

(SEAL)

My Commission Expires: _____

EXHIBIT E
TRANSFER INSTRUCTIONS

April ____ 2009

Computershare Trust Company, N.A.
350 Indiana Street, Suite 800
Golden, Colorado 80401
Attn: Kim Porter

Re: Grand Canyon Education, Inc. / Spirit Management Company

Dear Ms. Porter:

This letter relates to 909,348 shares (the "**Shares**") of common stock, par value \$0.01 (the "**Common Stock**"), of Grand Canyon Education, Inc. (the "**Company**") owned in book-entry form by Spirit Management Company (Holder Account No. C0000000311) ("**Spirit**"). Pursuant to a purchase and sale agreement, dated April [27], 2009, by and among the Company, Spirit, and other parties thereto (the "**Agreement**"), a copy of which (excluding exhibits) is attached to this letter as Exhibit A, Spirit has agreed to, among other things, sell the Shares to the Company. The Shares are currently subject to a lock-up restriction that restricts Spirit's ability to transfer the Shares prior to November 18, 2011 (the "**Lock-Up Restriction**").

On behalf of the Company and Spirit, and in furtherance of the foregoing, Computershare Trust Company, N.A. is hereby instructed (a) to change the termination date of the Lock-Up Restriction from November 18, 2011 to the date hereof; (b) to transfer the Shares in the name of and on the books of the Company, pursuant to the stock power attached to this letter as Exhibit B; and (c) to cancel the Shares and classify the Shares as authorized and available for issuance by the Company.

Please contact us if you have any questions or concerns.

Computershare Trust Company, N.A.

April _____, 2009

Page 2

Very truly yours,

DLA Piper LLP (US), on behalf of the Company

Jeffrey C. DeBruin

Associate

And

Kutak Rock LLP, on behalf of Spirit

Peggy A. Richter

Partner

cc: Christopher C. Richardson (via email: crichardson@gcu.edu)
Michael T. Bennett (via email: mbennett@spiritfinance.com)
David P. Lewis (via email: david.lewis@dlapiper.com)

E-2

Exhibit A

Purchase and Sale Agreement

(See attached.)

Exhibit B

Stock Power

(See attached.)

LOAN AGREEMENT

This **LOAN AGREEMENT** (this "Agreement") is dated as of April 27, 2009, by and between **BANK OF AMERICA, N.A.**, a national banking association (the "Bank") and **GRAND CANYON EDUCATION, INC.**, a Delaware corporation (the "Borrower").

FACTUAL BACKGROUND

The Borrower has requested that the Bank provide a Loan in order for the Borrower to purchase the property used by the Borrower to operate Grand Canyon University. The Bank is willing to make such a Loan on the terms and conditions set forth herein.

AGREEMENT

Therefore, in consideration of the mutual covenants and agreements herein contained, the parties hereto covenant and agree as follows:

1. VARIABLE RATE TERM LOAN AMOUNT AND TERMS**1.1 Loan Amount.**

The Bank agrees to provide a Loan to the Borrower in the principal amount of Twenty-Five Million Six Hundred Seventy Five Thousand and no/100 Dollars (\$25,675,000.00) (the "Loan").

1.2 Single Disbursement of Loan.

The Loan shall be made by a single disbursement upon the Borrower's satisfaction of the conditions contained in Article 5 of this Agreement, which the Bank and the Borrower agree will be on April 28, 2009.

1.3 Repayment Terms.

- (a) The Borrower will pay accrued interest on the principal balance of the Loan commencing on June 1, 2009, and thereafter on the same day of each month, until payment in full of the Loan, such interest to be computed in accordance with Section 1.4.
- (b) The Borrower will also make principal payments in equal monthly installments of One Hundred Forty Two Thousand Six Hundred Thirty Eight and 89/100 Dollars (\$142,638.89) beginning on June 1, 2009 and on the first (1st) day of each month thereafter. In addition to the foregoing monthly payments of principal, not later than April 30, 2014 (the "Maturity Date") the Borrower shall repay to the Bank the remaining unpaid principal, all accrued and unpaid interest and all other amounts payable under this Agreement or the Deed of Trust, as defined in Article 3 below.

- (c) Upon not less than ten (10) banking days irrevocable written notice received by the Bank from the Borrower, the Borrower may prepay the Loan in full or in part only on the first (1st) day of the calendar month that is so noted in such notice. Any such noticed prepayment shall be unconditionally due on such stated date for such prepayment in the notice. Such prepayment must be accompanied with (i) the payment of any termination, reinvestment, or breakage costs incurred by the Bank if such prepayment is not received on the first (1st) day of the calendar month that is noted in such prepayment notice; and (ii) a prepayment fee as follows:

<u>Date of Prepayment</u>	<u>Percentage of Prepaid Amount</u>
Prior to March 31, 2010	2.00%
Prior to March 31, 2011	1.00%
Prior to March 31, 2012	0.50%

Provided that, if the prepayment is a prepayment in full and made in connection with either:

(A) a refinancing transaction, the proceeds of which are used to both (x) repay the Loan and all other amounts payable to the Bank in full, and (y) to finance material improvements to the real property and improvements thereon comprising the Collateral (as defined below); or

(B) a new market tax credit financing transaction, the proceeds of which are used to repay the Loan and all other amounts payable to the Bank in full;

then a prepayment fee as follows:

<u>Date of Prepayment</u>	<u>Percentage of Prepaid Amount</u>
Prior to March 31, 2010	1.00%
Prior to March 31, 2011	0.50%
Prior to March 31, 2012	0.25%

Provided further that, if the Bank is either the only lender or is the primary lender of any financing covered by clause (A) of the preceding sentence, then no prepayment fee will be required.

Each such prepayment will be applied (A) first, to the payment of any such termination, reinvestment, or breakage fee; (B) second, to the Prepayment Fee; and then; (C) third, to the most remote payment of principal due under this Agreement. The Borrower shall also pay to the Bank, in addition to any late fee or default, interest on any noticed prepayment that is not timely made, all costs, expenses, fees and losses incurred by Bank as a result of such failure, including any termination, reinvestment or breakage fee.

1.4 Interest Rate.

- (a) The interest rate on the unpaid amount of the Loan shall be a rate per year equal to the BBA LIBOR Rate (Adjusted Periodically), plus three hundred fifty (350) basis points.
- (b) The interest rate will be adjusted on the first (1st) day of every calendar month (the "Adjustment Date") and remain fixed until the next Adjustment Date. If the Adjustment Date in any particular month would otherwise fall on a day that is not a banking day then, at the Bank's option, the Adjustment Date for that particular calendar month will be the first banking day immediately following thereafter.
- (c) The BBA LIBOR Rate (Adjusted Periodically) is a rate of interest equal to the rate per annum equal to the British Bankers Association LIBOR Rate ("BBA LIBOR"), as published by Reuters (or another commercially available source providing quotations of BBA LIBOR as selected by the Bank from time to time) as determined for each Adjustment Date at approximately 11:00 a.m. London time two (2) London Banking Days prior to the Adjustment Date, for U.S. Dollar deposits (for delivery on the first day of such interest period) with a term of one month, as adjusted from time to time in the Bank's sole discretion for reserve requirements, deposit insurance assessment rates and other regulatory costs. If such rate is not available at such time for any reason or if the Bank determines in its sole discretion that such rate no longer accurately reflects its cost of funds, then the rate for that interest period will be determined by such alternate method as reasonably selected by the Bank provided that the effect of such alternative method is to provide for an interest rate that is generally comparable in market performance and fluctuation as the BBA LIBOR immediately prior to such rate not being available or not reflecting the cost of funds. A "London Banking Day" is a day on which banks in London are open for business and dealing in offshore dollars.

2. FEES AND EXPENSES

2.1 Fees.

- (a) Loan Fee. The Borrower agrees to pay a loan fee in the amount of One Hundred Twenty Eight Thousand Three Hundred Seventy Five and no/100 Dollars (\$128,375.00). This loan fee shall be paid by the Borrower on the date of this Agreement and shall be fully paid and non-refundable upon receipt by the Bank.
- (b) Late Fee. The Borrower agrees to pay a late fee in an amount equal to four percent (4%) of the amount of any delinquent payment of principal or interest that is more than ten (10) calendar days late. The imposition and payment of a late fee shall not constitute a waiver of the Bank's rights with respect to the default. This fee shall be in addition to the accrual of interest at the default rate of interest pursuant to Section 4.6 below.

2.2 Expenses.

The Borrower agrees to repay the Bank within ten (10) days after request or invoice for all expenses and costs incurred by the Bank in connection with the Loan, which may include, but are not limited to, filing, recording and search fees, appraisal fees, survey fees, title report fees, title insurance premiums, and documentation fees.

2.3 Reimbursement of Costs and Expenses.

- (a) The Borrower agrees to also reimburse the Bank for any costs or expenses it incurs in the preparation of this Agreement, any agreement, document or instrument required by this Agreement, including, without limitation, the Deed of Trust, as defined in Article 3 below and any agreement, document or instrument required pursuant to Article 5 below. Expenses shall include, but are not limited to, reasonable attorneys' fees and costs, including any allocated costs of the Bank's in-house counsel to the extent permitted by applicable law.
- (b) The Borrower agrees to also reimburse the Bank for the cost and expense of periodic field examinations of the Collateral, and appraisals of the Collateral, at such intervals as the Bank may reasonably require; provided, however, that so long as there is no Event of Default, Borrower shall not be required to pay for more than one (1) appraisal each calendar year following the disbursement of the Loan. The actions described in this paragraph shall include, without limitation, the actions taken pursuant to Section 7.23 below, and may be performed by employees of the Bank or by independent appraisers.

3. DEED OF TRUST AND COLLATERAL

The Borrower's obligations to the Bank under this Agreement will be secured by the property rights and interests covered by the following (the "Collateral"):

A Deed of Trust, Assignment of Rents, Security Agreement and Fixture Filing dated as of April 27, 2009 (the "Deed of Trust") which shall cover the approximately 89.6 acres of land located at 3300 West Camelback Road, Phoenix, Arizona 85017-3030 and the other property, rights and interest described in the Deed of Trust.

The Deed of Trust and any other document executed at any time by the Borrower to secure the Loan are collectively, the "Collateral Documents".

4. DISBURSEMENTS, PAYMENTS AND COSTS

4.1 Disbursements and Payments.

- (a) Each payment by the Borrower will be made in U.S. Dollars and immediately available funds by debit to a deposit account, as described in this Agreement or otherwise authorized by the Borrower. For payments not made by direct debit, payments will be made by mail to the address shown on the Borrower's statement or at one of the Bank's banking centers in Phoenix, Arizona, or at such other banking center designated by the Bank, or by such other method as may be permitted or directed by the Bank.
- (b) The Bank may honor instructions for repayments or prepayments given by any one of the individuals authorized to sign this Loan Agreement or the Deed of Trust on behalf of the Borrower, or any other individual designated in a writing delivered to the Bank by any one of such authorized signers (each an "Authorized Individual").

- (c) For any payment under this Agreement made by debit to a deposit account, the Borrower will maintain sufficient immediately available funds in the deposit account to cover such debit. If there are insufficient immediately available funds in the deposit account on the date the Bank enters any such debit authorized by this Agreement, the Bank may reverse the debit.
- (d) The disbursement of the Loan by the Bank and each payment by the Borrower will be evidenced by records kept by the Bank, and shall be conclusive, absent manifest error. In addition, the Bank may, at its discretion, require the Borrower to sign a promissory note to further evidence the Loan, and the Borrower's obligation to repay the Loan, plus interest.
- (e) Not later than five (5) calendar days prior to the date each payment of principal and interest or any fees, costs or expenses from the Borrower becomes due (each a "Due Date"), the Bank will mail to the Borrower a statement of the amounts that will be due on the stated Due Date (the "Billed Amount"). The due date for any payment by Borrower shall not be delayed or postponed if for any reason (A) Bank does not timely mail any such statement; or (B) Borrower does not timely receive such statement. The calculations in each such billing statement will be made on the assumption that no payments will be made between the date of the billing statement and the Due Date, and that there will be no changes in the applicable interest rate. If the Billed Amount differs from the actual amount due on the stated Due Date (the "Accrued Amount"), the discrepancy will be treated as follows:
 - (i) If the Billed Amount is less than the Accrued Amount, the Billed Amount for the following Due Date will be increased by the amount of the discrepancy. The Borrower will not be in default by reason of any such discrepancy.
 - (ii) If the Billed Amount is more than the Accrued Amount, the Billed Amount for the following Due Date will be decreased by the amount of the discrepancy.

Regardless of any such discrepancy, interest will continue to accrue based on the actual amount of principal outstanding without compounding. Interest shall also accrue on any fees, costs or expenses that are not paid by the Borrower upon presentment of the amount to the Borrower. The Bank will not pay the Borrower interest on any overpayment.

4.2 Telephone and Telefax Authorization.

- (a) The Bank may honor telephone, telefax or e-mail instructions for repayments or prepayments given, or purported to be given, by any one of the Authorized Individuals.
- (b) The Borrower will fully indemnify and hold the Bank harmless from all liability, loss, and costs in connection with any act resulting from telephone, telefax or e-mail instructions the Bank reasonably believes are made by any Authorized Individual. This section will survive this Agreement's termination, and will benefit the Bank and its officers, employees, and agents.

4.3 Direct Debit.

- (a) The Borrower agrees that on each Due Date the Bank will debit the Billed Amount from one of Borrower's accounts with the Bank as designated in writing by the Borrower (the "Designated Account").

4.4 Banking Days.

Unless otherwise provided in this Agreement, a banking day is a day other than a Saturday, Sunday or other day on which commercial banks are authorized to close, or are in fact closed, in the State of Arizona, and, if such day relates to amounts bearing interest at an offshore rate (if any), means any such day on which dealings in dollar deposits are conducted among banks in the offshore dollar interbank market. All payments and disbursements which would be due on a day which is not a banking day will be due on the next banking day. All payments received on a day which is not a banking day will be applied to the credit on the next banking day.

4.5 Interest Calculation.

Except as otherwise stated in this Agreement, all interest and fees, if any, will be computed on the basis of a 360-day year and the actual number of days elapsed. This results in more interest or a higher fee than if a 365-day year is used. Installments of principal which are not paid when due under this Agreement shall continue to bear interest until paid.

4.6 Default Rate.

Following the occurrence of an Event of Default or after maturity of or after judgment has been rendered on any obligation under this Agreement, all amounts outstanding under this Agreement, including any (i) interest; or (ii) fees, costs or expenses which are not paid within two (2) business days after the date when due, will at the option of the Bank bear interest at a rate which is six hundred (600) basis points higher than the Interest Rate from such date until the date received by Bank. This may result in the compounding of interest. This will not constitute a waiver of any default and shall be in addition to the late fee pursuant to Section 2.1(b).

5. CONDITIONS

Before the Bank is required to make the Loan pursuant to this Agreement, it must receive any documents and other items it may reasonably require, in form and content acceptable to the Bank, including any items specifically listed below.

5.1 Authorizations.

Evidence that the execution, delivery and performance by the Borrower of this Agreement and any instrument or agreement required under this Agreement have been duly authorized.

5.2 Governing Documents.

A copy of the Borrower's organizational and operating documents.

5.3 Deed of Trust.

Signed, acknowledged and properly recorded (which recording may be contemporaneous with the closing of the Loan pursuant to an escrow to close the Loan) original Deed of Trust.

5.4 Title Insurance.

An ALTA lender's title insurance policy (on a form acceptable to the Bank and from a title company acceptable to the Bank), for Twenty Five Million Six Hundred Seventy Five and no/100 Dollars (\$25,675,000.00), insuring the Bank's lien pursuant to the Deed of Trust, with only such exceptions and exclusions as may be approved by the Bank and together with such endorsements as the Bank may require (the "Title Policy").

5.5 Payment of Fees, Costs and Expenses.

Payment of all fees and other amounts due and owing to the Bank, including without limitation payment of all accrued and unpaid expenses incurred by the Bank as required by the Section 2.3 entitled "Reimbursement of Costs and Expenses." The payment of all Reimbursement Costs accruing prior to the date of this Agreement shall be set forth in the Closing Statement referenced in Section 7.1 and shall be paid out of the proceeds of the Loan pursuant thereto.

5.6 Good Standing.

Certificates of good standing for the Borrower from the State of Delaware and the State of Arizona.

5.7 Legal Opinion.

A written opinion from the Borrower's legal counsel, covering such matters as valid corporate existence, authority to borrow, confirmation that entering into this Agreement will not cause a violation of any other lending agreement, and any other matters the Bank may require. The legal counsel and the terms of the opinion must be acceptable to the Bank.

5.8 Insurance.

Evidence of insurance coverage, as required pursuant to either (i) Section 7.14 of this Agreement or (ii) the Collateral Documents.

5.9 Environmental Information.

- (i) Phase 1. An environmental Phase 1 site assessment prepared by a qualified third party consultant approved by the Bank concerning any potential toxic or hazardous condition with respect to the real property collateral, together with a certification signed by the Borrower regarding the environmental information provided to the Bank (the "Phase 1"); and

- (ii) Lead Safe. Borrower shall deliver to the Bank documentation evidencing that the property covered by the Deed of Trust is operated in a lead safe manner; and
- (iii) Asbestos Plan. Borrower shall deliver to the Bank a copy of the Borrower's Asbestos Operations and Maintenance Plan and the Bank shall have determined such Plan to be acceptable.

5.10 Survey.

Delivery of an Aerial Survey covering the real property covered by the Deed of Trust to the Bank and the Title Company.

5.11 Other Required Documentation.

- (a) Fully executed Purchase and Sale Agreement and all related documents in connection with the transaction (the "Purchase Transaction") among Borrower, on the one hand, and Spirit Master Funding, LLC and Spirit Management Company (collectively, "Spirit"), on the other hand (the "Purchase and Sale Agreement") regarding the real property covered by the Deed of Trust, including, without limitation, the proper recording of a Warranty Deed in favor of the Borrower for the real property covered by the Deed of Trust.
- (b) All documents and certificates set forth on the Closing Checklist delivered to Borrower from the legal counsel of the Bank regarding the Loan (the "Closing Checklist").
- (c) All documents and certificates required by the Title Insurance Company as a condition to its issuance of the Title Policy, and all endorsements thereto.
- (d) An Appraisal, by an MAI Appraiser selected and retained by the Bank, of the real property covered by the Deed of Trust in a form acceptable to the Bank, and disclosing a current appraised value of not less than Thirty Nine Million Five Hundred Thousand and no/100 Dollars (\$39,500,000.00).

6. REPRESENTATIONS AND WARRANTIES

When the Borrower signs this Agreement, and until the Bank is repaid in full, the Borrower makes the following representations and warranties as of and on each day the Loan remains outstanding.

6.1 Formation.

Borrower is duly formed and validly existing under the laws of the State of Delaware.

6.2 Authorization.

This Agreement, and any instrument or agreement required hereunder, are within the Borrower's corporate powers, have been duly authorized, and do not conflict with any of its organizational or governing documents.

6.3 Enforceable Agreement and Deed of Trust.

This Agreement and the Collateral Documents are each a legal, valid and binding agreement of the Borrower, enforceable against the Borrower in accordance with their respective terms. In addition, any instrument or agreement required under this Agreement, when executed and delivered, will be similarly legal, valid, binding and enforceable.

6.4 Good Standing.

In each state in which the Borrower does business, it is properly licensed, in good standing, and, where required, in compliance with fictitious name statutes, except where such failure to be so licensed, in good standing and in compliance has not and would not reasonably be expected to have a material adverse effect on the Borrower or its business.

6.5 No Conflicts.

This Agreement does not conflict with any law, agreement, or obligation by which the Borrower is bound.

6.6 Financial Information.

All financial and other information that has been or will be supplied to the Bank is sufficiently complete to give the Bank accurate and complete knowledge, in all material respects, of the Borrower's financial condition, including all material contingent liabilities. Since the date of the most recent financial statement provided to the Bank, there has been no material adverse change in the business condition (financial or otherwise), operations, properties or prospects of the Borrower.

6.7 Lawsuits.

As of the date of this Agreement, there is no lawsuit, tax claim or other dispute pending, overtly threatened in writing or, to Borrower's actual knowledge, otherwise threatened against the Borrower (or any of the Borrower's property) which, if lost, would materially impair the Borrower's financial condition or ability to repay the Loan, except as have been disclosed in writing to the Bank or as have otherwise been disclosed by the Borrower in any periodic report or other filing made with the Securities and Exchange Commission (the "SEC") under the Securities Act of 1933, as amended (the "Securities Act") or the Securities Exchange Act of 1934, as amended (the "Exchange Act") (collectively, the "SEC Reports"), or if occurring after the date of this Agreement, is promptly disclosed to the Bank pursuant to Section 7.13.

6.8 Collateral.

As of the time the Deed of Trust is recorded with the Recorder of Maricopa County, Arizona, the Collateral is owned by the Borrower free of any title defects or any liens, except those which are disclosed in the Title Policy referenced in Section 5.4 above or by a UCC financing statement search.

6.9 Permits, Franchises.

The Borrower possesses all permits, memberships, franchises, contracts and licenses required and all trademark rights, trade name rights, patent rights, copyrights, and fictitious name rights necessary to enable it to conduct the business in which it is now engaged except to the extent Borrower's failure to possess such permits or other rights has not resulted or would not reasonably be expected to result in a material adverse effect on Borrower or its business.

6.10 Other Obligations.

As of the date of this Agreement, the Borrower is not in default on any obligation for borrowed money, any purchase money obligation or any other material lease, commitment, contract, instrument or obligation.

6.11 Tax Matters.

The Borrower has no knowledge of any pending assessments or adjustments in an amount exceeding One Hundred Thousand Dollars and no/100 Dollars (\$100,000.00) of its income tax for any year and all taxes due have been paid, except as have been disclosed in writing to the Bank, or if the Borrower obtains knowledge of such assessment or adjustment after the date of this Agreement, except as is promptly disclosed to the Bank in writing.

6.12 No Event of Default.

There is no event which is, or with notice or lapse of time or both would be, an Event of Default under this Agreement or any of the Collateral Documents.

6.13 Insurance.

The Borrower has obtained, and maintains in effect, the insurance coverage required in any of (i) Section 7.14 of this Agreement, or (ii) pursuant to the Collateral Documents.

6.14 ERISA Plans.

- (a) Each Plan (other than a multiemployer plan) is in compliance in all material respects with the applicable provisions of ERISA, the Code and other federal or state law. Each Plan has received a favorable determination letter from the IRS and to the best knowledge of the Borrower, nothing has occurred which would cause the loss of such qualification. The Borrower has fulfilled its obligations, if any, under the minimum funding standards of ERISA and the Code with respect to each Plan, and has not incurred any liability with respect to any Plan under Title IV of ERISA.
- (b) There are no claims, lawsuits or actions (including by any governmental authority), and there has been no prohibited transaction or violation of the fiduciary responsibility rules, with respect to any Plan which has resulted or could reasonably be expected to result in a material adverse effect on the Borrower or its business.
- (c) With respect to any Plan subject to Title IV of ERISA:
 - (i) No reportable event has occurred under Section 4043(c) of ERISA for which the PBGC requires 30-day notice.
 - (ii) No action by the Borrower or any ERISA Affiliate to terminate or withdraw from any Plan has been taken and no notice of intent to terminate a Plan has been filed under Section 4041 of ERISA.
 - (iii) No termination proceeding has been commenced with respect to a Plan under Section 4042 of ERISA, and no event has occurred or condition exists which might constitute grounds for the commencement of such a proceeding.
- (d) The following terms have the meanings indicated for purposes of this Agreement:
 - (i) "Code" means the Internal Revenue Code of 1986, as amended from time to time.
 - (ii) "ERISA" means the Employee Retirement Income Security Act of 1974, as amended from time to time.
 - (iii) "ERISA Affiliate" means any trade or business (whether or not incorporated) under common control with the Borrower within the meaning of Section 414(b) or (c) of the Code.

(iv) “PBGC” means the Pension Benefit Guaranty Corporation.

(v) “Plan” means a pension, profit-sharing, or stock bonus plan intended to qualify under Section 401(a) of the Code, maintained or contributed to by the Borrower or any ERISA Affiliate, including any multiemployer plan within the meaning of Section 4001(a)(3) of ERISA.

6.15 Location of Borrower.

As of the date of this Agreement, the place of business of the Borrower and its chief executive office are each located at 3300 West Camelback Road, Phoenix, Arizona 85017-3030.

6.16 Closing Checklist.

The Borrower’s Survey Certificate listed on the Closing Checklist and delivered to the Bank is true and correct in all material respects.

7. COVENANTS

The Borrower agrees that until the Bank is repaid in full:

7.1 Use of Proceeds.

To use and apply the proceeds of the Loan only according to the Closing Statement dated April 27, 2009 (the “Closing Statement”) in connection with the closing of the Purchase Transaction.

7.2 Financial Information.

To provide the following financial statements and other information; provided, that for so long as the Borrower is required to file SEC Reports, the Borrower shall be deemed to have satisfied its obligation to provide such financial statements and other information to the extent such financial statements and other information are filed by the Borrower on the SEC’s EDGAR filing system and a copy of each such filing is delivered to the Bank within three (3) calendar days of such filing.

(a) Copies of each Form 10-K Annual Report for Borrower filed with the SEC. If the Borrower does not timely file, or is not required to file with the SEC, a Form 10-K Annual Report for Borrower for any fiscal year, then, within ninety (90) days of each fiscal year end of the Borrower, the Borrower shall provide to Bank the annual financial statements of Borrower, certified and dated by an authorized financial officer. The financial statements delivered separately or included in such Form 10-K Annual Reports must be (i) audited by a Certified Public Accountant acceptable to the Bank; (ii) prepared on a consolidated basis (if applicable); and (iii) include a balance sheet, statement of income and statement of cash flow.

- (b) Copies of each Form 10-Q Quarterly Report for Borrower filed with the SEC. If the Borrower does not timely file, or is not required to file with the SEC, a Form 10-Q Quarterly Report for Borrower for any fiscal quarter, then, within sixty (60) days of each fiscal quarter (other than the fiscal quarter that ends with the fiscal year) the Borrower shall provide to Bank the quarterly financial statements of Borrower, certified and dated by an authorized financial officer. The financial statements delivered separately or included in such Form 10-Q Quarterly Report must be, (i) certified and dated by an authorized financial officer; (ii) prepared on a consolidated basis (if applicable); and (iii) include a balance sheet, statement of income and statement of cash flow.
- (c) Copies of each Form 8-K Current Report for Borrower filed with the SEC.
- (d) Promptly, upon sending or receipt, copies of any management letters and correspondence relating to management letters, sent or received by the Borrower to or from the Borrower's auditor. If no management letter is prepared, the Bank may, in its discretion, request a letter from such auditor stating that no deficiencies were noted that would otherwise be addressed in a management letter.
- (e) Consolidated Financial Projections covering a three (3) year time period and specifying the assumptions used in creating the projections (the "Consolidated Financial Projections"). The Consolidated Financial Projections shall be provided to the Bank no less often than annually, and within seventy-five (75) days after the end of each fiscal year.
- (f) Promptly upon the Bank's request, such other books, records, statements, lists of property and accounts, budgets, forecasts, pipeline reports or other reports as the Bank may reasonably request.
- (g) Within sixty (60) days of the end of each fiscal quarter (other than a fiscal quarter that ends on last day of the fiscal year), a compliance certificate of the Borrower, signed by an authorized financial officer in the form of Exhibit 7.2(g), which shall include, without limitation, (i) the information and computations (in sufficient detail) to establish compliance with the financial covenants set forth in Sections 7.3, 7.4, and 7.5 at the end of the period covered by the financial statements then being furnished for such fiscal quarter, and (ii) a statement whether there existed as of the date of either such financial statements or the date of the certificate, any default under this Agreement, and if any such default exists, specifying the nature thereof and the action the Borrower is taking and proposes to take with respect thereto (the "Quarterly Compliance Certificate"). The form or delivery of any Quarterly Compliance Certificate does not change the terms of any financial or other covenant contained in this Agreement.
- (h) Within ninety (90) days of the end of each fiscal year, a compliance certificate of the Borrower, signed by an authorized financial officer in the form of Exhibit 7.2(h), which shall include, without limitation, (i) the information and computations (in sufficient detail) to establish compliance with the financial covenants set forth in Sections 7.3, 7.4, and 7.5 at the end of the period covered by the financial statements then being furnished for such fiscal year, (ii) the information to establish compliance with the Educational Covenants contained herein, and (iii) a statement whether there existed as of the date of such financial statements and whether there exists as of the date of the certificate, any default under this Agreement, and if any such default exists, specifying the nature thereof and the action the Borrower is taking and proposes to take with respect thereto (the "Annual Compliance Certificate"). The form or delivery of any Annual Compliance Certificate does not change the terms of any financial or other covenant contained in this Agreement.

- (i) Not later than the earlier of (A) June 30 of each year, or (B) upon the filing with the DOE thereof, a copy of the Borrower's most recent Title IV Compliance Audit (as such term is defined by the DOE).

7.3 Funded Debt to Adjusted EBITDA Ratio.

To maintain on a consolidated basis a ratio of Funded Debt to Adjusted EBITDA as of the end of each fiscal quarter and each fiscal year not exceeding as follows:

<u>For all Times During the Following Period of Time</u>	<u>Ratio</u>
Closing of Loan — December 30, 2009	2.00:1.00
December 31, 2009 — December 30, 2010	1.75:1.00
All times from and after December 31, 2010	1.50:1.00

“Funded Debt” means all outstanding liabilities for borrowed money and other interest-bearing liabilities, including current and long term debt, less the non-current portion of Subordinated Liabilities (as defined in Section 7.5 below).

“Adjusted EBITDA” means net income, less income or plus loss from discontinued operations and extraordinary items, plus income taxes, plus interest expense, plus depreciation, depletion, and amortization, as adjusted for (i) royalty payments incurred pursuant to an agreement with the Borrower's former owner that has been terminated as of April 15, 2008, as disclosed in the SEC Reports; and (ii) non-cash share based compensation. This ratio will be calculated at the end of each reporting period for which the Bank requires financial statements, using the results of the twelve-month period ending with that reporting period.

7.4 Basic Fixed Charge Coverage Ratio.

To maintain on a consolidated basis a Basic Fixed Charge Coverage Ratio as of the end of each fiscal quarter and each fiscal year of at least 1.50:1.00.

“Basic Fixed Charge Coverage Ratio” means the ratio of (a) the sum of net income plus (i) royalty payments incurred pursuant to an agreement with the Borrower's former owner that has been terminated as of April 15, 2008, as disclosed in the SEC Reports; (ii) non-cash share based compensation; and (iii) agreed upon, non-cash charges or non-recurring charges, plus interest expense, and rent expense, to (b) the sum of interest expense, rent expense, the current portion of long term debt, the current portion of capitalized lease obligations and dividends (but not including the special distribution made to the stockholders of Borrower in connection with the initial public offering of Borrower in November 2008).

This ratio will be calculated at the end of each reporting period for which the Bank requires financial statements, using the results of the twelve-month period ending with that reporting period. The current portion of long-term liabilities will be measured as of the date of each calculation.

7.5 Tangible Net Worth.

To maintain on a consolidated basis Tangible Net Worth as of the end of each fiscal quarter and each fiscal year in an amount equal to at least (i) Thirty One Million Dollars and no/100 Dollars (\$31,000,000.00); plus (ii) 70% of the Borrower's net income for each fiscal quarter commencing with fiscal quarter that ended as of March 31, 2009 and each fiscal quarter thereafter (without reduction for any net loss for any fiscal quarter).

“Tangible Net Worth” means the value of total assets including pre-paid royalty payments, leaseholds and leasehold improvements, and reserves against assets but excluding goodwill, patents, trademarks, trade names, organization expense, unamortized debt discount and expense, capitalized or deferred research and development costs, deferred marketing expenses, and other like intangibles, and monies due from affiliates, officers, directors, employees, shareholders, members or managers) less total liabilities, including but not limited to accrued and deferred income taxes, but excluding the non-current portion of Subordinated Liabilities.

“Subordinated Liabilities” means liabilities subordinated to the Borrower's obligations to the Bank in a manner acceptable to the Bank in its sole discretion.

7.6 [Intentionally Blank].

7.7 Other Debts.

Not to have outstanding or incur any direct or contingent liabilities or lease obligations (other than those to the Bank), or become liable for the liabilities of others, without the Bank's written consent. This does not prohibit:

- (a) Acquiring goods, supplies, or merchandise on normal trade credit.
- (b) Becoming and remaining liable with respect to subordinated indebtedness, the terms of such indebtedness and the subordination thereof are reasonably acceptable to Bank and the maturity date of which is at least one (1) year later than the Maturity Date.
- (c) Endorsing negotiable instruments received in the usual course of business.
- (d) Obtaining surety bonds in the usual course of business.
- (e) Liabilities, lines of credit and leases in existence on the date of this Agreement as disclosed in writing to the Bank or in the Borrower's SEC Reports.
- (f) Additional debts and lease obligations for business purposes which are not covered by (a) through (e) above, and which do not exceed a total aggregate principal amount of Ten Million and no/100 Dollars (\$10,000,000.00) outstanding at any one time.

7.8 Other Liens.

Not to create, assume, or allow any security interest or lien (including judicial liens) on property the Borrower now or later owns, except:

- (a) Liens and security interests in favor of the Bank.
- (b) Liens for taxes not yet due.
- (c) Liens outstanding on the date of this Agreement disclosed in writing to the Bank.
- (d) Purchase money security interests outstanding on the date of this Agreement, and additional purchase money security interests in assets acquired after the date of this Agreement, or liens on any asset existing at the time of acquisition of such asset by the Borrower, or liens to secure any indebtedness permitted hereby incurred by the Borrower at the time of or within ninety (90) days after the acquisition of such asset, which indebtedness is incurred for the purpose of financing all or any part of the purchase price thereof; provided that the total principal amount of the debts or indebtedness secured by the liens covered by this Subsection 7.8(d) shall not exceed Ten Million and no/100 Dollars (\$10,000,000.00) at any one time.
- (e) Statutory liens of landlords, liens of collecting banks under the UCC on items in the course of collection, statutory liens and rights of set-off of banks, statutory liens of carriers, warehousemen, mechanics, repairmen, workmen and materialmen, and other liens imposed by law, in each case incurred in the ordinary course of business (i) for amounts not yet overdue or (ii) for amounts that are overdue and that (in the case of any such amounts overdue for a period in excess of five (5) days) are being contested in good faith by appropriate proceedings, so long as such reserves or other appropriate provisions, if any, as shall be required by GAAP shall have been made for any such contested amounts.
- (f) Deposits made in the ordinary course of business in connection with workers' compensation, unemployment insurance and other types of social security, or to secure the performance of statutory obligations, bids, surety and appeal bonds, leases, government contracts, performance bonds, trade contracts, and other similar obligations (exclusive of obligations for the payment of borrowed money).
- (g) Licenses (with respect to intellectual property and other property), leases or subleases granted to third parties not interfering in any material respect with ordinary conduct of the business of Borrower consistent with past and anticipated practices.
- (h) Easements, rights-of-way, restrictions, encroachments, and other minor defects or irregularities in title, in each case which do not and will not (i) interfere in any material respect with the ordinary conduct of the business of the Borrower; or (ii) adversely affect the value of the Collateral in any material respect.

- (i) Any (i) interest or title of a lessor or sublessor under any lease not prohibited by this Agreement, (ii) lien or restriction that the interest or title of such lessor or sublessor may be subject to, or (iii) subordination of the interest of the lessee or sublessee under such lease to any lien or restriction referred to in the preceding clause (ii), so long as the holder of such lien or restriction agrees to recognize the rights of such lessee or sublessee under such lease.
- (j) Liens arising from filing UCC financing statements relating solely to leases not prohibited by this Agreement.
- (k) Liens in favor of customs and revenue authorities arising as a matter of law to secure payment of customs duties in connection with the importation of goods.
- (l) Liens incurred in favor of insurance companies (or their financing affiliates) in connection with the financing of insurance premiums in the ordinary course of business.
- (m) Any zoning or similar law or right reserved to or vested in any government authority to control or regulate the use of any real property.

7.9 Maintenance of Assets.

- (a) Not to sell, assign, lease, transfer or otherwise dispose of any part of the Borrower's business or the Borrower's assets except in the ordinary course of the Borrower's business, and in no case in an aggregate amount exceeding Five Million and no/100 Dollars (\$5,000,000.00) in any fiscal year.
- (b) Not to sell, assign, lease, transfer or otherwise dispose of any assets for less than fair market value, or enter into any agreement to do so.
- (c) Not to enter into any sale and leaseback agreement covering any of its fixed assets.
- (d) To maintain and preserve all material rights, privileges, and franchises of the Borrower.
- (e) To make any repairs, renewals, or replacements to keep the Collateral in good working condition.

7.10 Investments.

Not to have any existing, or make any new, investments in any individual or entity, or make any capital contributions or other transfers of assets to any individual or entity, except for:

- (a) Existing investments disclosed to the Bank in writing.
- (b) Investments in the Borrower's current subsidiaries.

- (c) Investments consistent with the Borrower's Investment Policy as of the date of this Agreement, a copy of which is attached hereto as Exhibit 7.10, as prepared by the Controller and for purposes of this Section 7.10, any changes thereto that are approved by the Board of Directors and CFO from time to time with the consent of the Bank, which consent will not be unreasonably withheld, which may include investments in any of the following:
- (i) certificates of deposit;
 - (ii) U.S. treasury bills and other obligations of the federal government; and
 - (iii) readily marketable securities (including commercial paper, but excluding restricted stock and stock subject to the provisions of Rule 144 of the Securities and Exchange Commission).

7.11 Loans to Officers or Affiliates.

Not to make any loans, advances or other extensions of credit (including extensions of credit in the nature of accounts receivable or notes receivable arising from the sale or lease of goods or services) to any of the Borrower's executives, officers or directors (or any relatives of any of the foregoing), or to any affiliated entities in excess of Five Hundred Thousand and no/100 Dollars (\$500,000.00) in the aggregate to all of the foregoing at any one time.

7.12 Additional Negative Covenants.

Not to, without the Bank's written consent:

- (a) Enter into any consolidation, merger, or other combination, or become a partner in a partnership, a member of a joint venture, or a member of a limited liability company.
- (b) Acquire or purchase a business or all or substantially all of the assets of a business while the Loan is outstanding, in an aggregate amount exceeding an amount equal to 25% of the Borrower's Tangible Net Worth on the date of each such acquisition or purchase after giving effect to all prior, and the currently planned acquisition or purchase; provided that, (i) such acquisition or purchase is consensual (and not hostile) to the selling party; and (ii) the Borrower, is in compliance with all covenants in this Agreement, and shall be, on a pro-forma basis, in compliance with all covenants in this Agreement after giving effect to such acquisition or purchase.
- (c) Engage in any business activities substantially different from the Borrower's present business.
- (d) Liquidate or dissolve the Borrower's business.
- (e) Voluntarily suspend its business for more than ten (10) calendar days in any rolling three hundred and sixty five (365) day period.

7.13 Notices to Bank.

To promptly notify the Bank in writing of:

- (a) Any lawsuit in which the damages claimed exceed Five Million and no/100 Dollars (\$5,000,000.00) against the Borrower or the disclosure of which would be required in an SEC Report.
- (b) Any material dispute between any governmental authority and the Borrower.
- (c) An Event of Default under this Agreement, or any event which, with notice or lapse of time or both, would constitute an Event of Default.
- (d) Any material adverse change in the Borrower's business condition (financial or otherwise), operations, properties or prospects, the Collateral, or the Borrower's ability to repay the Loan.
- (e) Any change in the Borrower's name, legal structure, principal, place of business, or its chief executive office.
- (f) Except as otherwise disclosed in any financial statements of Borrower or in any SEC Report, any actual contingent liabilities of the Borrower in excess of Five Million and no/100 Dollars (\$5,000,000.00) in the aggregate and, to Borrower's knowledge, any such contingent liabilities which are reasonably foreseeable, where such liabilities would cause an Event of Default.

7.14 Insurance.

- (a) General Business Insurance. To maintain insurance reasonably satisfactory to the Bank as to amount, nature and carrier covering property damage (including loss of use and occupancy) to any of the Borrower's properties, business interruption insurance, public liability insurance including coverage for contractual liability, product liability and workers' compensation, and any other insurance which is usual for the Borrower's business. Each policy shall provide for at least thirty (30) days prior notice to the Bank of any cancellation thereof.
 - (b) Insurance Covering Collateral. To maintain insurance required pursuant to the Deed of Trust. The insurance must be issued by an insurance company reasonably acceptable to the Bank and must include a lender's loss payable endorsement in favor of the Bank in a form acceptable to the Bank.
 - (c) Evidence of Insurance. Upon the request of the Bank, to deliver to the Bank a copy of each insurance policy, or, if permitted by the Bank, a certificate of insurance listing all insurance in force, and when requested by the Bank, noting the Bank on each such policy as an additional insured or loss payee, as appropriate.
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7.15 Compliance with Laws.

To comply with the applicable laws (including any fictitious or trade name statute), regulations, and orders of any government body with authority over the Borrower's business, except where the failure to comply would not reasonably be expected to have a material adverse effect on the Borrower or its business.

7.16 ERISA Plans.

Promptly during each year, to pay and cause any subsidiaries to pay contributions adequate to meet at least the minimum funding standards under ERISA with respect to each and every Plan; file each annual report required to be filed pursuant to ERISA in connection with each Plan for each year; and notify the Bank within ten (10) calendar days of the occurrence of any Reportable Event that might constitute grounds for termination of any capital Plan by the Pension Benefit Guaranty Corporation or for the appointment by the appropriate United States District Court of a trustee to administer any Plan. "ERISA" means the Employee Retirement Income Security Act of 1974, as amended from time to time. Capitalized terms in this paragraph shall have the meanings defined within ERISA.

7.17 ERISA Plans — Notices.

With respect to a Plan subject to Title IV of ERISA, to give prompt written notice to the Bank of:

- (a) The occurrence of any reportable event under Section 4043(c) of ERISA for which the PBGC requires 30-day notice.
- (b) Any action by the Borrower or any ERISA Affiliate to terminate or withdraw from a Plan or the filing of any notice of intent to terminate under Section 4041 of ERISA.
- (c) The commencement of any proceeding with respect to a Plan under Section 4042 of ERISA.

7.18 Books and Records.

To maintain adequate books and records of its corporate and business activities.

7.19 Audits.

Except as may be prohibited by applicable laws regarding confidentiality, to allow the Bank and its agents to inspect the Borrower's properties and examine, audit, and make copies of books and records at any reasonable time. If any of the Borrower's properties, books or records are in the possession of a third party, the Borrower authorizes that third party to permit the Bank or its agents to have access to perform inspections or audits and to respond to the Bank's requests for information concerning such properties, books and records.

7.20 Perfection of Liens.

To help the Bank perfect and protect its security interests in and liens on the Collateral, and reimburse it for related costs it incurs to perfect, protect or enforce its security interests in and liens on the Collateral.

7.21 Cooperation.

To take any action reasonably requested by the Bank to carry out the intent of this Agreement.

7.22 Flood and Other Insurance.

If any improved real property comprising the Collateral is located in a designated flood hazard area, or becomes located in a designated flood hazard area after the date of this Agreement as a result of any re-mapping of flood insurance maps by the Federal Emergency Management Agency, the Borrower will be required to maintain flood insurance on the real property and any other portion of the Collateral within such area.

7.23 Inspections and Appraisals of Real Property.

To allow the Bank and its agents to visit the real property comprising any of the Collateral at any reasonable time for the purpose of inspecting such property and conducting appraisals thereof, and deliver to the Bank any financial or other information concerning such property as the Bank may request. So long as there is no Event of Default, Borrower shall not be required to pay for more than one (1) appraisal each calendar year following the disbursement of the Loan.

7.24 Use or Leasing of the Real Property Collateral.

- (a) To occupy the real property comprising any of the Collateral for the conduct of its regular business. The Borrower will not change its intended use of such real property without the Bank's prior written approval.
- (b) All leases of any portion of the real property comprising any of the Collateral and spaces within such real property may be entered into with bona fide third party tenants, financially capable of performing their obligations under the leases, in arms-length transactions at the then current market rate for comparable space, area or use. All leases in the aggregate shall not alter the Borrower's current occupancy, control or use of the Collateral and shall not cover any material part of the real property comprising any of the Collateral. The leases shall not contain any right to purchase such real property or any present or future interest in any portion of the real property other than the right to use and occupy the premises demised. The Borrower will promptly obtain and deliver to the Bank such estoppel certificates and subordination and attornment agreements from tenants as the Bank from time to time may require provided that so long as there is no Event of Default Borrower shall not be required to deliver such certificates more frequently than one (1) time per calendar year. The Borrower will perform all obligations of landlord under all leases.

7.25 Indemnity Regarding Use of Real Property.

To indemnify, defend with counsel acceptable to the Bank, and hold the Bank harmless from and against all liabilities, claims, actions, damages, costs and expenses (including all legal fees and expenses of Bank's counsel) arising out of or resulting from the construction of any improvements on the real property comprising any of the Collateral, or the ownership, operation, or use of such real property collateral, whether such claims are based on theories of derivative liability, comparative negligence or otherwise. The Borrower's obligations to the Bank under this Section shall survive termination of this Agreement and repayment of the Borrower's obligations to the Bank under this Agreement, and shall also survive as unsecured obligations after any acquisition by the Bank of the real property comprising any of the Collateral or any part of it by foreclosure or any other means.

7.26 Educational Covenants.

The following Sections 7.27, 7.28, 7.29, and 7.30 shall be collectively referred to as the "Educational Covenants." The following definitions shall apply to the Educational Covenants. Any term in the Educational Covenants that is not defined herein shall have the meaning given to them by the DOE or Title IV.

"Title IV" shall mean Title IV of the Higher Education Act of 1965, as amended.

"Title IV Programs" means the programs of federal student financial assistance administered pursuant to Title IV.

"School" shall mean Grand Canyon University.

"Education Law" means any federal, state, local or similar statute, law, ordinance, regulation, rule, code, order, or binding standard issued or administered by, or related to, any Education Agency and applicable to private educational institutions.

"Education Agency" means any entity or organization, whether governmental, government chartered, private, or quasi-private, that engages in granting or withholding Educational Approvals for, provides or administers financial assistance to or for students of, or otherwise regulates private schools in accordance with standards relating to the performance, operation, financial condition or academic standards of such schools, including, without limitation, the DOE, DHS, state authorizing or licensing agencies, accrediting bodies, state student aid agencies, state approving agencies for veterans benefits, and student loan guaranty agencies.

"DHS" means the U.S. Department of Homeland Security.

"DOE" shall mean the United States Department of Education.

7.27 Title IV Accreditation Requirements.

Borrower shall ensure that School maintains all customary accreditation requirements under Title IV including all licenses, accreditations, certificates, permits, consents, authorizations and other governmental, regulatory, or accreditation approvals or exemptions (the “Educational Approvals”) necessary for the School to conduct its business, including all requisite approvals or exemptions from the DOE, the State of Arizona, the Higher Learning Commission and any other Education Agency. In addition, the Borrower shall ensure that the School maintains its eligibility as a “proprietary institution of higher education,” as defined in 34 C.F.R. § 6005.5 under Title IV, and remains party to, and in material compliance with, a valid Program Participation Agreement (provisional or otherwise) with the DOE with respect to the School’s operations. Lastly, the Borrower shall ensure that the School continues to hold a valid Eligibility and Certification Approval Report (provisional or otherwise) issued by the DOE attesting to its Title IV Program eligibility. Borrower shall also maintain all other academic accreditations (or substitute a commercially reasonable substitute academic accreditation) as the Borrower reasonably determines are necessary for the School to conduct its business provided that, if the Borrower elects to cease maintaining a material academic accreditation without such substitution, then such election or determination of the Borrower must be reasonably acceptable to the Bank. Borrower shall give Bank notice within ten (10) business days of any breach of this Section 7.27.

7.28 DOE Composite Score Requirement.

Borrower shall ensure that School maintains a DOE Composite Score of not less than 1.50 for any fiscal year. In addition, Borrower shall ensure that School continues to be in material compliance with the DOE standards of financial responsibility as set forth at 34 C.F.R. §§ 668.172 - - 174. In addition, Borrower shall notify Bank if it is required by the DOE to post a letter of credit, including a letter of credit due to late funds pursuant to 34 C.F.R. § 668.173.

7.29 Long Term Student Receivables Limitation.

Borrower shall ensure that School does not allow its Long Term Receivables to Students to exceed an amount equal to ten percent (10%) of the Borrower’s Tangible Net Worth as defined in Section 7.5, and calculated on consolidated basis as of the end of each fiscal quarter and each fiscal year. In addition, Borrower will ensure that the School continues to comply with the statutory provision at 20 U.S.C. § 1002(b)(1)(F) requiring that at least ten percent (10%) of its revenues for any fiscal year are not derived from Title IV Program funds as required by 34 C.F.R. § 600.5.

7.30 Cohort Default Rate.

Borrower shall ensure that School does not allow its Cohort default rate to exceed either (i) twenty-five percent (25%) as an annual average for any rolling three (3) fiscal year period ending during the period of time the Loan remains unpaid; or (ii) forty percent (40%) in any fiscal year. In addition, Borrower shall ensure that School continues to meet the requirements for Federal Family Education Loan Program loans as published by the DOE; and to the extent the following become material to the Borrower’s financial results, Borrower shall ensure that School meets the requirements for Federal Direct Loan Program loans and Federal Perkins loans, as published by the DOE.

8. DEFAULT AND REMEDIES

If any of the following events of default ("Event of Default") occurs, the Bank may do one or more of the following: declare the Borrower in default, stop making any additional credit available to the Borrower, and require the Borrower to repay its entire debt immediately and without prior notice. In addition, if any Event of Default occurs, the Bank shall have all rights, powers and remedies available under any instruments and agreements required by or executed in connection with this Agreement, as well as all rights and remedies available at law or in equity. If an Event of Default occurs under the paragraph entitled "Bankruptcy," below, with respect to the Borrower, then the entire debt outstanding under this Agreement will automatically be due immediately.

8.1 Failure to Pay.

The Borrower fails to make a payment under this Agreement when due, and such failure continues for three (3) calendar days.

8.2 Other Bank Agreements.

Any default occurs and is continuing under any other agreement the Borrower has with the Bank with a payment or obligation amount exceeding Fifty Thousand and no/100 Dollars (\$50,000.00), if such default continues after giving effect to any applicable cure period.

8.3 Cross-default.

Any default occurs under any agreement in connection with any credit exceeding One Million and no/100 Dollars (\$1,000,000.00) the Borrower or any subsidiary of the Borrower's has obtained from anyone else or which the Borrower or any of the Borrower's subsidiaries has guaranteed, if such default continues after giving effect to any applicable cure period.

8.4 False Information.

The Borrower has given the Bank materially false or misleading information or representations.

8.5 Bankruptcy.

The Borrower files a bankruptcy petition; or a bankruptcy petition is filed against the Borrower (and not dismissed within sixty (60) days); or the Borrower makes a general assignment for the benefit of creditors.

8.6 Receivers.

A receiver or similar official is appointed for a substantial portion of the Borrower's business and such appointment is not terminated within ten (10) calendar days, or the business is terminated.

8.7 Lien Priority.

The Bank fails to have an enforceable first lien (except for any prior liens to which the Bank has consented in writing or are noted in the Title Policy) on or security interest in any of the Collateral as security for the Loan or this Agreement.

8.8 Intentionally Blank.

8.9 Judgments.

Any judgments or arbitration awards are entered against the Borrower, or the Borrower enters into any settlement agreements, in each case with respect to any litigation or arbitration, in an aggregate amount of Five Million and no/100 Dollars (\$5,000,000.00) or more in excess of any insurance coverage and (i) said judgments are not stayed or bonded over within thirty (30) days after entry, or (ii) Borrower does not have sufficient liquidity to satisfy such judgment or award, as determined by the Bank.

8.10 Material Adverse Change.

A material adverse change occurs in the Borrower's business condition (financial or otherwise), operations or properties, which could reasonably adversely affect the Borrower's ability to repay the Loan including any action by any government authority.

8.11 Intentionally Omitted.

8.12 Default under Related Documents.

Any Event of Default, as defined therein, or a default occurs (and continues beyond any applicable notice or cure period and which gives the Bank an immediate right to exercise its remedies as a result thereof), under any guaranty, subordination agreement, security agreement, deed of trust, mortgage, or other document required by or delivered in connection with this Agreement or the Loan, including, without limitation, the Deed of Trust or any other Collateral Document.

8.13 ERISA Plans.

Any one or more of the following events occurs with respect to a Plan of the Borrower subject to Title IV of ERISA, provided such event or events could reasonably be expected, in the judgment of the Bank, to subject the Borrower to any tax, penalty or liability (or any combination of the foregoing) which, in the aggregate, could have a material adverse effect on the financial condition of the Borrower:

- (a) A reportable event shall occur under Section 4043(c) of ERISA with respect to a Plan.
- (b) Any Plan termination (or commencement of proceedings to terminate a Plan) or the full or partial withdrawal from a Plan by the Borrower or any ERISA Affiliate.

8.14 Educational Covenants.

A default occurs under any term or condition of the Educational Covenants and such default, if it is capable of being cured, continues for a period of thirty (30) days.

8.15 Other Breach Under Agreement.

A default occurs under any other term or condition of this Agreement not specifically referred to in this Article, including any failure by the Borrower to comply with any financial covenants set forth in this Agreement, whether such failure is evidenced by financial statements delivered to the Bank or is otherwise known to the Borrower or the Bank.

8.16 Representations and Warranties.

Any representation or warranty of the Borrower or any written certification or other material written statement of fact made or deemed made by the Borrower or by a Responsible Officer on behalf of the Borrower, in any other Loan Document, or in any document delivered in connection herewith or therewith shall be incorrect or misleading in any material respect when made or deemed made.

9. ENFORCING THIS AGREEMENT; MISCELLANEOUS

9.1 GAAP.

Except as otherwise stated in this Agreement, all financial information provided to the Bank and all financial covenants will be made under generally accepted accounting principles, consistently applied.

9.2 Governing Law.

This Agreement shall be governed by and construed in accordance with the laws of Arizona. To the extent that the Bank has greater rights or remedies under federal law, whether as a national bank or otherwise, this paragraph shall not be deemed to deprive the Bank of such rights and remedies as may be available under federal law.

9.3 Successors and Assigns.

This Agreement is binding on the Borrower's and the Bank's successors and assignees. The Borrower agrees that it may not assign this Agreement without the Bank's prior consent. The Bank may sell participations in or assign this Loan, and may exchange information about the Borrower (including, without limitation, any information regarding any hazardous substances) with actual or potential participants or assignees. If a participation is sold or the Loan is assigned, the purchaser will have the right of set-off against the Borrower.

9.4 Dispute Resolution Provision.

This paragraph, including the subparagraphs below, is referred to as the "Dispute Resolution Provision." This Dispute Resolution Provision is a material inducement for the parties entering into this agreement.

- (a) This Dispute Resolution Provision concerns the resolution of any controversies or claims between the parties, whether arising in contract, tort or by statute, including but not limited to controversies or claims that arise out of or relate to: (i) this Agreement (including any renewals, extensions or modifications); or (ii) any document related to this agreement (collectively a "Claim"). For the purposes of this Dispute Resolution Provision only, the term "parties" shall include any parent corporation, subsidiary or affiliate of the Bank involved in the servicing, management or administration of any obligation described or evidenced by this Agreement.

- (b) At the request of any party to this agreement, any Claim shall be resolved by binding arbitration in accordance with the Federal Arbitration Act (Title 9, U.S. Code) (the "Act"). The Act will apply even though this Agreement provides that it is governed by the law of a specified state.
- (c) Arbitration proceedings will be determined in accordance with the Act, the then-current rules and procedures for the arbitration of financial services disputes of the American Arbitration Association or any successor thereof ("AAA"), and the terms of this Dispute Resolution Provision. In the event of any inconsistency, the terms of this Dispute Resolution Provision shall control. If AAA is unwilling or unable to (i) serve as the provider of arbitration or (ii) enforce any provision of this arbitration clause, the Bank may designate another arbitration organization with similar procedures to serve as the provider of arbitration.
- (d) The arbitration shall be administered by AAA and conducted, unless otherwise required by law, in Phoenix, Arizona. All Claims shall be determined by one arbitrator; however, if Claims exceed Five Million and no/100 Dollars (\$5,000,000.00), upon the request of any party, the Claims shall be decided by three arbitrators. All arbitration hearings shall commence within ninety (90) days of the demand for arbitration and close within ninety (90) days of commencement and the award of the arbitrator(s) shall be issued within thirty (30) days of the close of the hearing. However, the arbitrator(s), upon a showing of good cause, may extend the commencement of the hearing for up to an additional sixty (60) days. The arbitrator(s) shall provide a concise written statement of reasons for the award. The arbitration award may be submitted to any court having jurisdiction to be confirmed and have judgment entered and enforced.
- (e) The arbitrator(s) will give effect to statutes of limitation in determining any Claim and may dismiss the arbitration on the basis that the Claim is barred. For purposes of the application of any statutes of limitation, the service on AAA under applicable AAA rules of a notice of Claim is the equivalent of the filing of a lawsuit. Any dispute concerning this arbitration provision or whether a Claim is arbitrable shall be determined by the arbitrator(s), except as set forth at subparagraph (h) of this Dispute Resolution Provision. The arbitrator(s) shall have the power to award legal fees pursuant to the terms of this Agreement.
- (f) This paragraph does not limit the right of any party to: (i) exercise self-help remedies, such as but not limited to, setoff; (ii) initiate judicial or non-judicial foreclosure against any real or personal property collateral; (iii) exercise any judicial or power of sale rights, or (iv) act in a court of law to obtain an interim remedy, such as but not limited to, injunctive relief, writ of possession or appointment of a receiver, or additional or supplementary remedies.

- (g) The filing of a court action is not intended to constitute a waiver of the right of any party, including the suing party, thereafter to require submittal of the Claim to arbitration.
- (h) Any arbitration or trial by a judge of any Claim will take place on an individual basis without resort to any form of class or representative action (the "Class Action Waiver"). Regardless of anything else in this Dispute Resolution Provision, the validity and effect of the Class Action Waiver may be determined only by a court and not by an arbitrator. The parties to this Agreement acknowledge that the Class Action Waiver is material and essential to the arbitration of any disputes between the parties and is nonseverable from the agreement to arbitrate Claims. If the Class Action Waiver is limited, voided or found unenforceable, then the parties' agreement to arbitrate shall be null and void with respect to such proceeding, subject to the right to appeal the limitation or invalidation of the Class Action Waiver. **The Parties acknowledge and agree that under no circumstances will a class action be arbitrated.**
- (i) By agreeing to binding arbitration, the parties irrevocably and voluntarily waive any right they may have to a trial by jury in respect of any Claim. Furthermore, without intending in any way to limit this agreement to arbitrate, to the extent any Claim is not arbitrated, the parties irrevocably and voluntarily waive any right they may have to a trial by jury in respect of such Claim. This waiver of jury trial shall remain in effect even if the Class Action Waiver is limited, voided or found unenforceable. **WHETHER THE CLAIM IS DECIDED BY ARBITRATION OR BY TRIAL BY A JUDGE, THE PARTIES AGREE AND UNDERSTAND THAT THE EFFECT OF THIS AGREEMENT IS THAT THEY ARE GIVING UP THE RIGHT TO TRIAL BY JURY TO THE EXTENT PERMITTED BY LAW.**

9.5 Severability; Waivers.

If any part of this Agreement is not enforceable, the rest of the Agreement may be enforced. The Bank retains all rights, even if it made the Loan after a default. If the Bank waives a default, it may enforce a later default. Any consent or waiver under this Agreement must be in writing.

9.6 Attorneys' Fees.

The Borrower shall reimburse the Bank for any reasonable costs and attorneys' fees incurred by the Bank in connection with the enforcement or preservation of any rights or remedies under this Agreement and any other documents executed in connection with this Agreement, and in connection with any amendment, waiver, "workout" or restructuring under this Agreement. In the event of a lawsuit or arbitration proceeding, the prevailing party is entitled to recover costs and reasonable attorneys' fees incurred in connection with the lawsuit or arbitration proceeding, as determined by the court or arbitrator. In the event that any case is commenced by or against the Borrower under the Bankruptcy Code (Title 11, United States Code) or any similar or successor statute, the Bank is entitled to recover costs and reasonable attorneys' fees incurred by the Bank related to the preservation, protection, or enforcement of any rights of the Bank in such a case. As used in this paragraph, "attorneys' fees" includes the allocated costs of the Bank's in-house counsel.

9.7 Set-Off.

- (a) In addition to any rights and remedies of the Bank provided by law, upon the occurrence and during the continuance of any Event of Default under this Agreement, the Bank is authorized, at any time, to set off and apply any and all Deposits of the Borrower held by the Bank against any and all Obligations owing to the Bank. The set-off may be made irrespective of whether or not the Bank shall have made demand under this Agreement or any guaranty, and although such Obligations may be contingent or unmatured or denominated in a currency different from that of the applicable Deposits.
- (b) The set-off may be made without prior notice to the Borrower or any other party, any such notice being waived by the Borrower to the fullest extent permitted by law. The Bank agrees promptly to notify the Borrower after any such set-off and application; provided, however, that the failure to give such notice shall not affect the validity of such set-off and application.
- (c) For the purposes of this Section 9.7, “Deposits” means any deposits (general or special, time or demand, provisional or final, individual or joint) and any instruments owned by the Borrower which come into the possession or custody or under the control of the Bank. “Obligations” means all obligations, now or hereafter existing, of the Borrower to the Bank under this Agreement and under any other agreement or instrument executed in connection with this Agreement.

9.8 One Agreement.

This Agreement and any related security or other agreements required by this Agreement, collectively:

- (a) represent the sum of the understandings and agreements between the Bank and the Borrower concerning this credit;
- (b) replace any prior oral or written agreements between the Bank and the Borrower concerning this credit; and
- (c) are intended by the Bank and the Borrower as the final, complete and exclusive statement of the terms agreed to by them.

In the event of any conflict between this Agreement and any other agreements required by this Agreement, this Agreement will prevail. Any reference in any related document to a “promissory note” or a “note” executed by the Borrower and dated as of the date of this Agreement shall be deemed to refer to this Agreement, as now in effect or as hereafter amended, renewed, or restated.

9.9 Indemnification.

The Borrower will indemnify and hold the Bank harmless from any loss, liability, damages, judgments, and costs of any kind relating to or arising directly or indirectly out of (a) this Agreement or any document required hereunder, (b) any credit extended or committed by the Bank to the Borrower hereunder, and (c) any litigation or proceeding related to or arising out of this Agreement, any such document, or any such credit. This indemnity includes but is not limited to attorneys’ fees (including the allocated cost of in-house counsel). This indemnity extends to the Bank, its parent, subsidiaries and all of their directors, officers, employees, agents, successors, attorneys, and assigns. This indemnity will survive repayment of the Borrower’s obligations to the Bank. All sums due to the Bank hereunder shall be obligations of the Borrower, due and payable immediately without demand.

9.10 Notices.

Unless otherwise provided in this Agreement or in another agreement between the Bank and the Borrower, all notices required under this Agreement shall be personally delivered or sent by first class mail, postage prepaid, or by overnight courier, to the addresses on the signature page of this Agreement, or sent by facsimile to the fax numbers listed on the signature page, or sent via electronic mail (e-mail) with attachments in portable document format (PDF) to the e-mail addresses listed on the signature page, or to such other addresses as the Bank and the Borrower may specify from time to time in writing. Notices and other communications shall be effective (i) if mailed, upon the earlier of receipt or five (5) days after deposit in the U.S. mail, first class, postage prepaid, (ii) if telecopied, when transmitted, (iii) if hand-delivered, by courier or otherwise (including telegram, lettergram or mailgram), when delivered or (iv) if sent via electronic mail, upon electronic confirmation of delivery and receipt.

9.11 Headings.

Article and Section headings are for reference only and shall not affect the interpretation or meaning of any provisions of this Agreement.

9.12 Counterparts.

This Agreement may be executed in as many counterparts as necessary or convenient, and by the different parties on separate counterparts each of which, when so executed, shall be deemed an original but all such counterparts shall constitute but one and the same Agreement. A copy of an executed signature page that is transmitted by facsimile or sent as a PDF file via email shall, for all purposes, be deemed to be an original.

9.13 Borrower Information; Reporting to Credit Bureaus.

The Borrower authorizes the Bank at any time to verify or check any information given by the Borrower to the Bank, check the Borrower's credit references, verify employment, and obtain credit reports. The Borrower agrees that the Bank shall have the right at all times to disclose and report to credit reporting agencies and credit rating agencies such information pertaining to the Borrower and/or all guarantors as is consistent with the Bank's policies and practices from time to time in effect.

[Remainder of page is intentionally left blank; signature pages follow]

IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be duly executed and delivered by their proper and duly authorized officers as of the day and year first above written.

GRAND CANYON EDUCATION, INC.,
a Delaware corporation

By: /s/ Dan Bachus
Name: Dan Bachus
Title: Chief Financial Officer

Contact Information for Notice:

3300 West Camelback Road
Phoenix, Arizona 85017-3030
Attn: Dan Bachus, CFO

Telephone: 602-639-6648
Facsimile: 602-639-7846
Email: dbachus@gcu.edu

BANK OF AMERICA, N.A.

By: /s/ David R. Barney
Name: David R. Barney
Title: Senior Vice President

Contact Information for Notice:

201 East Washington Street
AZ1-200-22-32, 22nd Floor
Phoenix, Arizona 85004-2343
Attn: David Barney — Commercial Banking

Telephone: 602-523-2351
Facsimile: 602-523-2511
Email: david.r.barney@bankofamerica.com

*Federal law requires Bank of America, N.A. (the "**Bank**") to provide the following notice. The notice is not part of the foregoing agreement or instrument and may not be altered. Please read the notice carefully.*

USA PATRIOT ACT NOTICE Federal law requires all financial institutions to obtain, verify and record information that identifies each person who opens an account or obtains a loan. The Bank will ask for the Borrower's legal name, address, tax ID number or social security number and other identifying information. The Bank may also ask for additional information or documentation or take other actions reasonably necessary to verify the identity of the Borrower, guarantors or other related persons.

EXHIBIT 7.2(g)

FORM OF QUARTERLY COMPLIANCE CERTIFICATE

[To Be Completed]

Exhibit 7.2(g)

EXHIBIT 7.2(h)

FORM OF ANNUAL COMPLIANCE CERTIFICATE

[To Be Completed]

Exhibit 7.2(h)

EXHIBIT 7.10

BORROWER'S INVESTMENT POLICY

[To Be Completed]

Exhibit 7.10

CERTIFICATIONS

I, Brian E. Mueller, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q for the quarter ending June 30, 2009 of Grand Canyon Education, Inc.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) for the registrant and have:

a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

b) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

c) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: August 3, 2009

/s/ Brian E. Mueller

Brian E. Mueller

Chief Executive Officer

(Principal Executive Officer)

CERTIFICATIONS

I, Daniel E. Bachus, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q for the quarter ending June 30, 2009 of Grand Canyon Education, Inc.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) for the registrant and have:

a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

b) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

c) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: August 3, 2009

/s/ Daniel E. Bachus

Daniel E. Bachus

Chief Financial Officer

(Principal Financial Officer and Principal Accounting Officer)

**CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350**

In connection with the Quarterly Report on Form 10-Q of Grand Canyon Education, Inc. (the "Company") for the quarter ended June 30, 2009 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Brian E. Mueller, Chief Executive Officer, of the Company, certify, pursuant to § 906 of the Sarbanes-Oxley Act of 2002, 18 U.S.C. § 1350, that to my knowledge:

- (1) The Report fully complies with the requirements of Section 13(a) of the Securities Exchange Act of 1934 (15 U.S.C. 78m); and
- (2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: August 3, 2009

/s/ Brian E. Mueller

Brian E. Mueller

Chief Executive Officer

(Principal Executive Officer)

**CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350**

In connection with the Quarterly Report on Form 10Q of Grand Canyon Education, Inc. (the "Company") for the quarter ended June 30, 2009 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Daniel E. Bachus, Chief Financial Officer, of the Company, certify, pursuant to § 906 of the Sarbanes-Oxley Act of 2002, 18 U.S.C. § 1350, that to my knowledge:

- (1) The Report fully complies with the requirements of Section 13(a) of the Securities Exchange Act of 1934 (15 U.S.C. 78m); and
- (2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: August 3, 2009

/s/ Daniel E. Bachus

Daniel E. Bachus

Chief Financial Officer

(Principal Financial and Principal Accounting Officer)