

UNITED STATES SECURITIES AND EXCHANGE COMMISSION
Washington, DC 20549

Amendment No. 2

to

Form S-1
REGISTRATION STATEMENT
THE SECURITIES ACT OF 1933

Grand Canyon Education, Inc.

(Exact Name of Registrant as Specified in Its Charter)

Delaware
(State or Other Jurisdiction of
Incorporation or Organization)

8221
(Primary Standard Industrial
Classification Code Number)

20-3356009
(I.R.S. Employer
Identification Number)

3300 W. Camelback Road
Phoenix, Arizona 85017
(602) 639-7500

(Address, Including Zip Code, and Telephone Number, Including Area Code, of Registrant's Principal Executive Offices)

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

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

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

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

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

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

Large accelerated filer o

Accelerated filer o

Non-accelerated filer ☒
(Do not check if a smaller reporting company)

Smaller reporting company o

CALCULATION OF REGISTRATION FEE

Title of Each Class of Security To be Registered	Amount to be Registered(1)	Proposed Maximum Offering Price Per Share(2)	Proposed Maximum Aggregate Offering Price(2)	Amount of Registration Fee(3)
Common Stock, par value \$0.01 per share	12,075,000	\$20.00	\$241,500,000	\$9,491

(1) Includes 1,575,000 shares of Common Stock issuable upon exercise of the underwriters' over-allotment option.

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

(3) \$9,039 previously paid

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

The information in this prospectus is not complete and may be changed. We may not sell these securities until the registration statement filed with the Securities and Exchange Commission is effective. This prospectus is not an offer to sell these securities and it is not soliciting an offer to buy these securities in any jurisdiction where the offer or sale is not permitted.

Subject to Completion
Dated September 29, 2008

10,500,000 Shares



Grand Canyon Education, Inc.
Common Stock

This is the initial public offering of common stock of Grand Canyon Education, Inc. We are offering 10,500,000 shares of our common stock.

Prior to this offering, there has been no public market for our common stock. The initial public offering price of our common stock is expected to be between \$18.00 and \$20.00 per share. We have applied to list our common stock on the Nasdaq Global Market under the symbol "LOPE."

Seventy-five percent (75%) of the gross proceeds from the sale of stock in this offering, before underwriting discounts and commissions and estimated offering expenses, will be paid to our existing stockholders as a special distribution.

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

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

We have granted the underwriters a 30-day option to purchase up to 1,575,000 additional shares of common stock from us at the public offering price, less the underwriting discounts and commissions, to cover over-allotments of shares, if any.

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

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

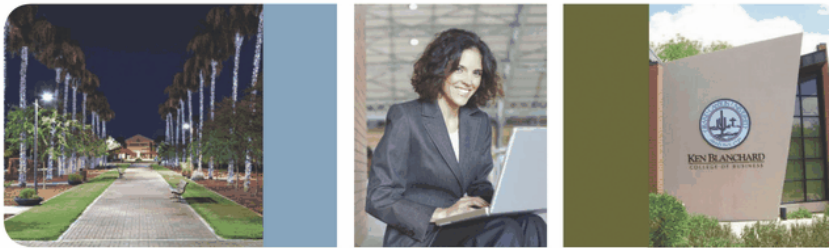
Joint Book-Running Managers

Credit Suisse

Merrill Lynch & Co.

BMO Capital Markets William Blair & Company Piper Jaffray

The date of this prospectus is , 2008.



Founded in 1949, Grand Canyon University is a regionally accredited provider of postsecondary education services based in Phoenix, Arizona. GCU offers online and campus-based bachelor's and master's degree programs through the College of Education, the Ken Blanchard College of Business, the College of Nursing and Health Sciences, and the College of Liberal Arts.



GRAND CANYON UNIVERSITY

TABLE OF CONTENTS

	Page
Prospectus Summary	1
Risk Factors	10
Forward-Looking Statements	33
Use of Proceeds	34
Special Distribution	35
Dividend Policy	36
Capitalization	37
Dilution	39
Selected Financial and Other Data	41
Management's Discussion and Analysis of Financial Condition and Results of Operations	44
Business	63
Regulation	83
Management	98
Compensation Discussion and Analysis	103
Certain Relationships and Related Transactions	114
Beneficial Ownership of Common Stock	120
Description of Capital Stock	124
Shares Eligible for Future Sale	129
Material U.S. Federal Income and Estate Tax Considerations for Non-U.S. Holders	131
Underwriting	134
Notice to European Economic Area Residents	137
Notice to United Kingdom Residents	137
Notice to Canadian Residents	137
Legal Matters	139
Experts	139
Where You Can Find More Information	139
Index to Financial Statements	F-1
EX-3.1	
EX-3.2	
EX-4.1	
EX-4.2	
EX-5.1	
EX-10.1	
EX-10.2	
EX-10.3	
EX-10.4	
EX-10.5	
EX-10.21	
EX-23.2	

ABOUT THIS PROSPECTUS

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

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

PROSPECTUS SUMMARY

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

Overview

We are a regionally accredited provider of online postsecondary education services focused on offering graduate and undergraduate degree programs in our core disciplines of education, business, and healthcare. In addition to our online programs, we offer ground programs at our traditional campus in Phoenix, Arizona and onsite at the facilities of employers. We are committed to providing an academically rigorous educational experience with a focus on career-oriented programs that meet the objectives of working adults. We utilize an integrated, innovative approach to marketing, recruiting, and retaining students, which has enabled us to increase enrollment from approximately 3,000 students at the end of 2003 to approximately 16,500 students at June 30, 2008, representing a compound annual growth rate of approximately 46%. At December 31, 2007, our enrollment was approximately 14,800, 85% of our students were enrolled in our online programs, and 62% of our students were pursuing master’s degrees.

Our three core disciplines of education, business, and healthcare represent large markets with attractive employment opportunities. According to a March 2008 report from the U.S. Department of Education, National Center for Education Statistics, or NCES, these disciplines ranked as three of the four most popular fields of postsecondary education, based on degrees conferred in the 2005-06 school year. The U.S. Department of Labor, Bureau of Labor Statistics, or BLS, estimated in its 2008-09 Career Guide that these fields comprised over 40 million jobs in 2006, many of which require postsecondary education credentials. Furthermore, the BLS has projected that the education, business, and healthcare fields will generate approximately six million new jobs between 2006 and 2016.

We primarily focus on recruiting and educating working adults, whom we define as students age 25 or older who are pursuing a degree while employed. As of June 30, 2008, approximately 92% of our online students were age 25 or older. We believe that working adults are attracted to the convenience and flexibility of our online programs because they can study and interact with faculty and classmates during times that suit their schedules. We also believe that working adults represent an attractive student population because they are better able to finance their education, more readily recognize the benefits of a postsecondary degree, and have higher persistence and completion rates than students generally.

We have experienced significant growth in enrollment, net revenue, and operating income over the last several years. Our enrollment at December 31, 2007 was approximately 14,800, representing an increase of approximately 38% over our enrollment at December 31, 2006. Our net revenue and operating income for the year ended December 31, 2007 were \$99.3 million and \$4.3 million, respectively, representing increases of 37.7% and 42.8%, respectively, over the year ended December 31, 2006. Our enrollment at June 30, 2008 was approximately 16,500, representing an increase of approximately 60% over our enrollment at June 30, 2007. Our net revenue and operating income for the six months ended June 30, 2008 were \$70.3 million, and \$6.3 million, respectively, representing increases of 59.5% and 172.2%, respectively, over the six months ended June 30, 2007. We seek to achieve continued growth in a manner that reinforces our reputation for providing academically rigorous, career-oriented educational programs that advance the careers of our students.

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

reflect the quality of our programs, enhance their marketability, and improve the employability of our graduates.

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

Industry

The United States market for postsecondary education represents a large and growing opportunity. According to the March 2008 NCES report, total revenue for all degree-granting postsecondary institutions was over \$385 billion for the 2004-05 school year. In addition, according to a September 2008 NCES report, approximately 18.0 million students were projected to be enrolled in postsecondary institutions in 2007 and the number was projected to grow to 18.6 million by 2010. We believe that future growth in this market will be driven, in part, by the increasing number of job openings in occupations that require bachelor's or master's degrees, which a November 2007 report based on BLS data has projected will grow approximately 17% and 19%, respectively, between 2006 and 2016, or nearly double the growth rate the BLS projected for occupations that do not require postsecondary degrees. Moreover, according to U.S. Census Bureau data, individuals with a postsecondary degree are able to obtain a significant compensation premium relative to individuals without a degree.

The market for online postsecondary education is growing more rapidly than the overall postsecondary market. A 2007 study by Eduventures, LLC, an education consulting and research firm, projected that from 2002 to 2007 enrollment in online postsecondary programs increased from approximately 0.5 million to approximately 1.8 million, representing a compound annual growth rate of approximately 30.4%. In comparison, in September 2008 the NCES projected a compound annual growth rate of 1.6% in enrollment in postsecondary programs overall during the same period. We believe this growth has been driven by a number of factors, including the greater convenience and flexibility of online programs as compared to ground-based programs and the increased acceptance of online programs among academics and employers. According to a 2006 survey by the Sloan Consortium, a trade group focused on online education, 79.1% of chief academic officers surveyed at institutions with 15,000 or more students, most of which offer online programs, and 61.9% of all chief academic officers surveyed, believe that online learning outcomes are equal or superior to traditional face-to-face instruction.

Competitive Strengths

We believe we have the following competitive strengths:

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

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

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

Commitment to offering academically rigorous, career-oriented programs. We are committed to offering academically rigorous educational programs that are designed to help our students achieve their career

objectives. Our programs are taught by qualified faculty, substantially all of whom hold at least a master's degree and often have practical experience in their respective fields.

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

Experienced executive management team with strong operating track-record. Our executive management team possesses extensive experience in the management and operation of publicly-traded for-profit, postsecondary education companies, as well as other educational services businesses, including in the areas of marketing to, recruiting, and retaining students pursuing online and other distance education degree offerings, and in online content development.

Growth Strategies

We intend to pursue the following growth strategies:

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

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

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

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

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

Risks Affecting Us

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

- we are unable to attract and retain students as a result of the highly competitive markets in which we operate;
- we are unable to comply with the extensive regulatory requirements to which our business is subject, including requirements governing the Title IV federal student financial aid programs, state laws and regulations, and accrediting commission requirements;

- we experience any student, regulatory, reputational, or other events that adversely affect our graduate degree offerings, from which we currently derive a significant portion of our revenues;
- we experience damage to our reputation or other adverse effects in connection with any compliance audit; regulatory action; investigation, including the investigation of Grand Canyon University currently being conducted by the Office of Inspector General of the U.S. Department of Education; or litigation, including the pending *qui tam* action regarding the manner in which we have compensated our enrollment personnel; or as a result of negative publicity affecting us or other companies in the for-profit postsecondary education sector;
- we are unable to attract and retain key personnel needed to sustain and grow our business;
- our students are unable to obtain student loans on affordable terms, or at all;
- adverse economic or other developments affect demand in our core disciplines; or
- we are unable to develop new programs or expand our existing programs in a timely and cost-effective manner.

Corporate Information

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

Accreditation

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

Industry Data

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

OFFERING SUMMARY

Common stock offered by us	10,500,000 shares
Common stock outstanding after this offering	41,999,354 shares
Use of proceeds	

We estimate that the net proceeds to us from this offering will be approximately \$179.7 million, or approximately \$207.6 million if the underwriters exercise their over-allotment option in full, based on the midpoint of the price range set forth on the cover page of this prospectus and after deducting the underwriting discounts and commissions and estimated offering expenses payable by us.

As described in “Use of Proceeds” and “Special Distribution,” we will use the proceeds of this offering to pay a special distribution to our stockholders of record as of September 26, 2008, in the amount of 75% of the gross proceeds received by us from the sale of stock in this offering, including any proceeds we receive from the underwriters’ exercise of their over-allotment option, before underwriting discounts and commissions and estimated offering expenses. We also intend to use up to \$16.0 million of the proceeds of this offering to repurchase an outstanding warrant to purchase shares of our common stock. We intend to use the remaining proceeds to pay the expenses of this offering and for general corporate purposes.

The payment of the special distribution in the amount described above permits a return of capital to all of our stockholders as of the record date, and does so without significantly decreasing our capital resources or requiring these stockholders to sell their shares. Of the estimated aggregate amount of the special distribution of \$149.6 million (exclusive of any amounts that may be received from the underwriters’ exercise of the over-allotment option), assuming an initial public offering price of \$19.00 per share, which is the midpoint of the price range set forth on the cover page of this prospectus, \$81.1 million will be paid in respect of shares of our capital stock over which our directors and executive officers are deemed to exercise sole or shared voting or investment power. These proceeds will be allocated as set forth in the following table.

	<u>Special Distribution</u> (In thousands)
<i>Directors</i>	
Chad N. Heath(1)	\$ 45,849
D. Mark Dorman(1)	\$ 45,849
<i>Executive Officers</i>	
Brent D. Richardson	\$ 16,766
John E. Crowley	\$ 1,736
Christopher C. Richardson	\$ 16,775
<i>All directors and executive officers as a group</i>	\$ 81,127

- (1) Represents shares owned by Endeavour Capital Fund IV, L.P. and certain affiliated funds. D. Mark Dorman and Chad N. Heath, two

	<p>of our directors, are managing directors of Endeavour Capital IV, LLC, the general partner of such funds.</p> <p>See “Special Distribution” and “Certain Relationships and Related Transactions — Special Distribution” for additional information regarding the beneficiaries of the special distribution.</p>
Dividend policy	<p>Except with respect to the special distribution, we do not anticipate declaring or paying any cash dividends on our common stock in the foreseeable future.</p>
Risk factors	<p>You should carefully read and consider the information set forth under the heading titled “Risk Factors” and all other information set forth in this prospectus before deciding to invest in shares of our common stock.</p>
Proposed Nasdaq Global Market symbol	<p>LOPE</p>
<p>The number of shares of our common stock to be outstanding following this offering is based on the number of shares of our common stock outstanding as of September 29, 2008, prior to the effectiveness of this offering, and excludes 5,249,921 shares of common stock reserved for future issuance under our stock-based compensation plans. The 5,249,921 shares reserved for future issuance includes 104,998 fully vested restricted shares to be granted to Brian E. Mueller, our Chief Executive Officer, and 704,923 fully vested and 2,492,256 unvested stock options to be granted to employees and a director immediately following the effectiveness of the offering at the initial public offering price.</p> <p>Unless otherwise indicated, this prospectus reflects and assumes the following:</p> <ul style="list-style-type: none">• no exercise by the underwriters of their option to purchase up to 1,575,000 additional shares from us;• a 1,826 for one split of our outstanding common stock effected on September 29, 2008;• the automatic conversion of all outstanding shares of Series A convertible preferred stock into 10,870,178 shares of common stock upon the closing of the offering;• the filing of an amendment to our certificate of incorporation to provide for the automatic conversion of all outstanding shares of Series C preferred stock into 1,410,526 shares of common stock upon the closing of the offering based on a conversion price equal to the initial public offering price per share, assuming an initial public offering price of \$19.00 per share, which is the midpoint of the range set forth on the cover page of this prospectus;• the repurchase by us of an outstanding warrant to purchase 909,348 shares of common stock at an exercise price of \$0.58 per share for \$16.0 million in cash, as described under “Use of Proceeds;”• the filing of our amended and restated certificate of incorporation and the adoption of our amended and restated bylaws immediately prior to the effectiveness of this offering; and• the rounding of all fractional share amounts to the nearest whole number.	

SUMMARY FINANCIAL AND OTHER DATA

The following table sets forth our summary financial and other data as of the dates and for the periods indicated. The statement of operations and other data, excluding period end enrollment, for each of the years in the three-year period ended December 31, 2007, have been derived from our audited financial statements, which are included elsewhere in this prospectus. The statement of operations and other data, excluding period end enrollment, for each of the six month periods ended June 30, 2007 and 2008, and the balance sheet data as of June 30, 2008, have been derived from our unaudited financial statements, which are presented elsewhere in this prospectus and include, in the opinion of management, all adjustments, consisting of normal, recurring adjustments, necessary for a fair presentation of such data. Our historical results are not necessarily indicative of our results for any future period.

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

	Year Ended December 31,			Six Months Ended June 30,	
	2005	2006	2007	2007	2008
		(Restated)(1)		(Unaudited)	
	(In thousands, except enrollment and per share data)				
Statement of Operations Data:					
Net revenue	\$ 51,793	\$ 72,111	\$ 99,326	\$ 44,071	\$ 70,275
Costs and expenses:					
Instructional costs and services	28,063	31,287	39,050	17,555	24,028
Selling and promotional	14,047	20,093	35,148	14,186	27,473
General and administrative	12,968	15,011	17,001	8,377	10,960
Royalty to former owner	1,619	2,678	3,782	1,629	1,488
Total costs and expenses	56,697	69,069	94,981	41,747	63,949
Operating income (loss)	(4,904)	3,042	4,345	2,324	6,326
Interest expense	(3,098)	(2,827)	(2,975)	(1,515)	(1,507)
Interest income	276	912	1,172	692	432
Income (loss) before income taxes	(7,726)	1,127	2,542	1,501	5,251
Income tax expense (benefit)(2)	(3,440)	529	1,016	600	2,027
Net income (loss)	(4,286)	598	1,526	901	3,224
Preferred dividends	—	(527)	(349)	(167)	(521)
Net income available (loss attributable) to common stockholders	\$ (4,286)	\$ 71	\$ 1,177	\$ 734	\$ 2,703
Earnings (loss) per common share					
Basic	\$ (0.23)	\$ 0.00	\$ 0.06	\$ 0.04	\$ 0.14
Diluted	\$ (0.23)	\$ 0.00	\$ 0.03	\$ 0.02	\$ 0.08
Shares used in computing earnings (loss) per common share					
Basic	18,470	18,853	18,923	18,853	19,089
Diluted	18,470	36,858	35,143	35,052	32,623
Other Data:					
Capital expenditures	\$ 817	\$ 2,387	\$ 7,406	\$ 3,234	\$ 3,983
Depreciation and amortization	\$ 1,879	\$ 2,396	\$ 3,300	\$ 1,473	\$ 2,269
Adjusted EBITDA(3)	\$ (895)	\$ 9,074	\$ 11,723	\$ 5,551	\$ 10,294
Period end enrollment:(4)					
Online	6,212	8,406	12,497	9,032	14,847
Ground	2,210	2,256	2,257	1,300	1,663

	As of June 30, 2008	
	Pro Forma, as	
	Actual	Adjusted(5)
	(Unaudited) (In thousands)	
Balance Sheet Data:		
Cash and cash equivalents	\$ 7,206	\$ 21,316
Total assets	80,548	94,658
Capital lease obligations (including short-term)	29,420	29,420
Other indebtedness (including short-term indebtedness)	1,894	1,894
Preferred stock	32,469	—
Total stockholders' equity (deficit)(2)	(8,440)	38,139

- (1) Our financial statements at December 31, 2006 and 2007 and for each of the three years in the period ended December 31, 2007 have been restated. See Note 3, "Restatement of Financial Statements," in our financial statements that are included elsewhere in this prospectus.
- (2) On August 24, 2005, we converted from a limited liability company to a taxable corporation. For all periods subsequent to such date, we have been subject to corporate-level U.S. federal and state income taxes.
- (3) Adjusted EBITDA is defined as net income (loss) plus interest expense net of interest income, plus income tax expense (benefit), and plus depreciation and amortization (EBITDA), as adjusted for (i) royalty payments incurred pursuant to an agreement with our former owner that has been terminated as of April 15, 2008, as discussed in "Management's Discussion and Analysis of Financial Condition and Results of Operations — Factors affecting comparability — Settlement with former owner" and Note 2 to our financial statements that are included elsewhere in this prospectus, and (ii) management fees and expenses that are no longer paid or that will no longer be payable following completion of this offering.

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

Our management uses Adjusted EBITDA:

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

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

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

The following table provides a reconciliation of net income (loss) to Adjusted EBITDA, which is a non-GAAP measure, for the periods indicated:

	Year Ended December 31,			Six Months Ended June 30,	
	2005	2006	2007	2007	2008
		(Restated)(1)	(In thousands)	(Unaudited)	
Net income (loss)	\$(4,286)	\$ 598	\$ 1,526	\$ 901	\$ 3,224
Plus: interest expense net of interest income	2,822	1,915	1,803	823	1,075
Plus: income tax expense (benefit)	(3,440)	529	1,016	600	2,027
Plus: depreciation and amortization	1,879	2,396	3,300	1,473	2,269
EBITDA	(3,025)	5,438	7,645	3,797	8,595
Plus: royalty to former owner(a)	1,619	2,678	3,782	1,629	1,488
Plus: management fees and expenses(b)	511	958	296	125	211
Adjusted EBITDA	\$ (895)	\$9,074	\$11,723	\$5,551	\$10,294

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

(b) Reflects management fees and expenses of \$0.1 million, \$0.3 million, and \$0.3 million for the years ended December 31, 2005, 2006, and 2007, respectively, and \$0.1 million and \$0.2 million for the six month periods ended June 30, 2007 and 2008, respectively, to the general partner of Endeavour Capital, and an aggregate of \$0.4 million and \$0.7 million for the years ended December 31, 2005 and 2006, respectively, to an entity affiliated with a former director and another affiliated with a significant stockholder, in each case following their investment in us. The agreements relating to these arrangements have all terminated or will terminate by their terms upon the closing of this offering. See “Certain Relationships and Related Transactions.”

(4) The decrease in the number of ground students on June 30, 2007 and 2008 in comparison to December 31, 2006 and 2007 is attributable to the fact that a portion of our ground students typically do not enroll in classes during the summer months. See “Management’s Discussion and Analysis of Financial Condition and Results of Operations — Seasonality.”

(5) For a description of the offering and pro forma adjustments, see “Capitalization.”

RISK FACTORS

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

Risks Related to Our Industry

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

For our fiscal years ended December 31, 2006 and 2007, we derived cash receipts equal to approximately 67.9% and 70.2%, respectively, of our net revenue from tuition financed under federal student financial aid programs, referred to in this prospectus as the Title IV programs, which are administered by the U.S. Department of Education, or Department of Education. To participate in the Title IV programs, a school must be authorized by the appropriate state education agency or agencies, be accredited by an accrediting commission recognized by the Department of Education, and be certified as an eligible institution by the Department of Education. In addition, our operations and programs are regulated by other state education agencies and additional accrediting commissions. As a result of these requirements, we are subject to extensive regulation by the Arizona State Board for Private Postsecondary Education and education agencies of other states, the Higher Learning Commission, which is our primary accrediting commission, specialized accrediting commissions, and the Department of Education. These regulatory requirements cover the vast majority of our operations, including our educational programs, instructional and administrative staff, administrative procedures, marketing, recruiting, financial operations, and financial condition. These regulatory requirements also affect our ability to open additional schools and locations, add new educational programs, change existing educational programs, and change our corporate or ownership structure. The agencies that regulate our operations periodically revise their requirements and modify their interpretations of existing requirements. Regulatory requirements are not always precise and clear, and regulatory agencies may sometimes disagree with the way we have interpreted or applied these requirements. Any misinterpretation by us of regulatory requirements could materially adversely affect us.

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

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

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

Our most recent recertification, which was issued on a provisional basis in May 2005 after an extended review by the Department of Education following the change in control that occurred in February 2004,

contained a number of conditions on our continued participation in the Title IV programs. At that time we were required by the Department of Education to post a letter of credit, accept restrictions on the growth of our program offerings and enrollment, and receive certain Title IV funds under the heightened cash monitoring system of payment (pursuant to which an institution is required to credit students with Title IV funds prior to obtaining those funds from the Department of Education) rather than by advance payment (pursuant to which an institution receives Title IV funds from the Department of Education in advance of disbursement to students). In October 2006, the Department of Education eliminated the letter of credit requirement and allowed the growth restrictions to expire, and in August 2007, it eliminated the heightened cash monitoring restrictions and returned us to the advance payment method. We submitted our application for recertification in March 2008 in anticipation of the expiration of our provisional certification on June 30, 2008. The Department of Education did not make a decision on our recertification application by June 30, 2008 and therefore our participation in the Title IV programs has been automatically extended on a month-to-month basis until the Department of Education makes its decision. See “Regulation — Regulation of Federal Student Financial Aid Programs — Eligibility and certification procedures.” There can be no assurance that the Department of Education will recertify us while the investigation by the Office of Inspector General of the Department of Education is being conducted, while the *qui tam* lawsuit is pending, or at all, or that it will not impose restrictions as a condition to approving our pending recertification application or with respect to any future recertification. If the Department of Education does not renew or withdraws our certification to participate in the Title IV programs at any time, our students would no longer be able to receive Title IV program funds. Similarly, the Department of Education could renew our certification, but restrict or delay our students’ receipt of Title IV funds, limit the number of students to whom we could disburse such funds, or place other restrictions on us. Any of these outcomes would have a material adverse effect on our enrollments and us.

The Office of Inspector General of the Department of Education has commenced an investigation of Grand Canyon University, which is ongoing and which may result in fines, penalties, other sanctions, and damage to our reputation in the industry.

The Office of Inspector General of the Department of Education is responsible for, among other things, promoting the effectiveness and integrity of the Department of Education’s programs and operations, including compliance with applicable statutes and regulations. The Office of Inspector General performs investigations of alleged violations of law, including cases of alleged fraud and abuse, or other identified vulnerabilities, in programs administered or financed by the Department of Education. On August 14, 2008, the Office of Inspector General 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. Based on the records and information requested in the subpoena, we believe the Office of Inspector General is conducting an investigation focused on whether we have compensated any of our enrollment counselors or managers in a manner that violated the Title IV statutory requirements or the related Department of Education regulations concerning the payment of incentive compensation based on success in securing enrollments or financial aid. See “Regulation — Regulation of Federal Student Financial Aid Programs — Incentive compensation rule.” We are cooperating with the Office of Inspector General to facilitate its investigation.

We are currently in the early stages of reviewing documents and emails that may be responsive to the Office of Inspector General’s subpoena. The outcome of the Office of Inspector General investigation may depend in part on information contained in these materials or any information or testimony that may be provided by former employees or other third parties.

The Department of Education may impose fines and other monetary penalties as a result of a violation of the incentive compensation law and such fines and other monetary penalties may be substantial. In addition, the Department of Education retains the authority to impose other sanctions on an institution for violations of the incentive compensation law. The possible effects of a determination of a regulatory violation are described more fully in “Regulation — Regulation of Federal Student Financial Aid Programs — Potential effect of regulatory violations.” Any such fine or other sanction could damage our reputation and impose significant costs on us, which could have a material adverse effect on our business, prospects, financial condition, and

results of operations. Because of the ongoing nature of the Office of Inspector General investigation, we can neither know nor predict the ultimate outcome of the investigation or any liability or other sanctions that might result.

We were recently notified that a qui tam lawsuit has been filed against us alleging, among other things, that we have improperly compensated certain of our enrollment counselors, and we may incur liability, be subject to sanctions, or experience damage to our reputation as a result of this lawsuit.

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 had been 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 have 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. See “Regulation — Regulation of Federal Student Financial Aid Programs — Incentive compensation rule.” 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 our 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 our practices, including in respect of non-cash awards, have not been within the scope of any specific “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 of \$5,000 to \$10,000 for each violation of the False Claims Act, attorneys’ fees, costs, and interest.

A *qui tam* case is a civil lawsuit brought by one or more individuals (a “relator”) on behalf of the federal government for an alleged submission to the government of a false claim for payment. The relator, often a current or former employee, is entitled to a share of the government’s recovery in the case. A *qui tam* action is always filed under seal and remains under seal until the government decides whether to intervene in the case. If the government intervenes, it takes over primary control of the litigation. If the government declines to intervene in the case, the relator may nonetheless elect to continue to pursue the litigation at his or her own expense on behalf of the government. In our case, the *qui tam* lawsuit was initially filed under seal in August 2007 and was unsealed and served on us following the government’s decision not to intervene at this time.

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. Because of the ongoing nature of this action, we can neither know nor predict the ultimate outcome of this *qui tam* case or any liability that might result.

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

Political and budgetary concerns significantly affect the Title IV programs. The Higher Education Act, which is the federal law that governs the Title IV programs, must be periodically reauthorized by Congress, and was most recently reauthorized in August 2008. The new law contains numerous revisions to the requirements governing the Title IV programs. See “Regulation — Regulation of Federal Student Financial Aid Programs.” In addition, Congress must determine funding levels for the Title IV programs on an annual basis, and can change the laws governing the Title IV programs at any time. Because a significant percentage of our revenue is derived from the Title IV programs, any action by Congress that significantly reduces Title IV program funding or our ability or the ability of our students to participate in the Title IV programs could require us to seek to arrange for other sources of financial aid for our students and could materially

decrease our student enrollment. Such a decrease in our enrollment could have a material adverse effect on us. Congressional action could also require us to modify our practices in ways that could increase our administrative and regulatory costs.

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

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

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

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

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

An institution must be accredited by an accrediting commission recognized by the Department of Education in order to participate in the Title IV programs. We have institutional accreditation by the Higher Learning Commission, which is an accrediting commission recognized by the Department of Education. To remain accredited, we must continuously meet accreditation standards relating to, among other things, performance, governance, institutional integrity, educational quality, faculty, administrative capability, resources, and financial stability. We were reaccredited by the Higher Learning Commission in 2007 for the maximum term of 10 years. While the Higher Learning Commission concluded that we were in compliance with its accreditation standards, it did note certain deficiencies to be addressed by us. See “Regulation — Accreditation.” In February 2009, we must file a monitoring report with the Higher Learning Commission addressing our progress in resolving these deficiencies. If we fail to resolve the Higher Learning Commission’s concerns, the Higher Learning Commission could ask for another monitoring report, send a team to confirm progress in addressing the deficiencies, or determine that we are not making adequate progress in addressing the Higher Learning Commission’s concerns. If we fail to satisfy any of the Higher Learning Commission’s standards, or fail to address the deficiencies noted in our last review, we could lose our accreditation by the Higher Learning Commission, which would cause us to lose our eligibility to participate in the Title IV programs and could cause a significant decline in our total student enrollments and have a material adverse effect on us. In addition, many of our individual educational programs are also accredited by specialized accrediting commissions or approved by specialized state agencies. If we fail to satisfy the standards of any of those specialized accrediting commissions or state agencies, we could lose the specialized accreditation or approval for the affected programs, which could result in materially reduced student enrollments in those programs and have a material adverse effect on us.

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

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

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

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

- authorizes the Department of Education to purchase Title IV loans from lenders, thereby providing capital to the lenders to enable them to continue making Title IV loans to students; and

- permits the Department of Education to designate institutions eligible to participate in a “lender of last resort” program, under which federally recognized student loan guaranty agencies will be required to make Title IV loans to all otherwise eligible students at those institutions.

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

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

For our fiscal years ended December 31, 2006 and 2007 we derived cash receipts equal to approximately 67.9% and 70.2%, respectively, of our net revenue from tuition financed under the Title IV programs, which include student loans with interest rates subsidized by the federal government. Additionally, some of our students finance their education through private loans that are not subsidized. Interest rates have reached relatively low levels in recent years, creating a favorable borrowing environment for students. However, in the event interest rates increase or Congress decreases the amount available for federal student aid, our students may have to pay higher interest rates on their loans. Any future increase in interest rates will result in a corresponding increase in educational costs to our existing and prospective students, which could result in a significant reduction in our student population and revenues. Higher interest rates could also contribute to higher default rates with respect to our students’ repayment of their education loans. Higher default rates may in turn adversely impact our eligibility to participate in some or all of the Title IV programs, which could result in a significant reduction in our student population and our profitability. See “We may lose our eligibility to participate in the Title IV programs if our student loan default rates are too high” located elsewhere in “Risk Factors” for further information.

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

Almost every state imposes regulatory requirements on educational institutions that have physical facilities located within the state’s boundaries. These regulatory requirements establish standards in areas such as educational programs, facilities, instructional and administrative staff, marketing and recruitment, financial operations, addition of new locations and educational programs, and various operational and administrative procedures, some of which are different than the standards prescribed by the Department of Education or the Arizona State Board for Private Postsecondary Education. In addition, several states have sought to assert jurisdiction over educational institutions offering online degree programs that have no physical location or other presence in the state but that have some activity in the state, such as enrolling or offering educational services to students who reside in the state, employing faculty who reside in the state, or advertising to or recruiting prospective students in the state. State regulatory requirements for online education vary among the states, are not well developed in many states, are imprecise or unclear in some states, and can change frequently. In the future, states could coordinate their efforts in order to more aggressively attempt to regulate or restrict schools’ offering of online education.

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

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

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

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

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

During 2007 and 2008, student loan programs, including the Title IV programs, have come under increased scrutiny by the Department of Education, Congress, state attorneys general, and other parties. Issues that have received extensive attention include allegations of conflicts of interest between some institutions and lenders that provide Title IV loans, questionable incentives given by lenders to some schools and school employees, allegations of deceptive practices in the marketing of student loans, and schools leading students to use certain lenders. Several institutions and lenders have been cited for these problems and have paid several million dollars in the aggregate to settle those claims. The practices of numerous other schools and lenders are being examined by government agencies at the federal and state level. The Attorney General of the State of Arizona has requested extensive documentation and information from us and other institutions in Arizona concerning student loan practices, and we recently provided testimony in response to a subpoena from the Attorney General of the State of Arizona about such practices. While no penalties have been assessed against us, we do not know what the results of that review will be.

As a result of this scrutiny, Congress has passed new laws, the Department of Education has enacted stricter regulations, and several states have adopted codes of conduct or enacted state laws that further regulate the conduct of lenders, schools, and school personnel. These new laws and regulations, among other things, limit schools' relationships with lenders, restrict the types of services that schools may receive from lenders, prohibit lenders from providing other types of loans to students in exchange for Title IV loan volume from schools, require schools to provide additional information to students concerning institutionally preferred lenders, and significantly reduce the amount of federal payments to lenders who participate in the Title IV loan programs. The environment surrounding access to and cost of student loans remains in a state of flux, with reviews of many institutions and lenders still pending and with additional legislation and regulatory changes being actively considered at the federal and state levels. The uncertainty surrounding these issues, and any resolution of these issues that increases loan costs or reduces students' access to Title IV loans, may adversely affect our student enrollments, which could have an adverse effect on us.

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

Because we operate in a highly regulated industry, we are subject to program reviews, audits, investigations, claims of non-compliance, and lawsuits by government agencies, regulatory agencies, students, stockholders, and other third parties alleging non-compliance with applicable legal requirements, many of which are imprecise and subject to interpretation. As we grow larger, this scrutiny of our business may

increase. If the result of any such proceeding is unfavorable to us, we may lose or have limitations imposed on our state licensing, accreditation, or Title IV program participation; be required to pay monetary damages (including triple damages in certain whistleblower suits); or be subject to fines, injunctions, or other penalties, any of which could have a material adverse effect on our business, prospects, financial condition, and results of operations. In this regard, we are currently subject to an investigation by the Department of Education's Office of Inspector General, which we believe is focused on the manner in which we have compensated our enrollment counselors and managers, and a *qui tam* lawsuit brought by a former employee alleging violations in the same area. See "Risk Factors — The Office of Inspector General of the Department of Education has commenced an investigation of Grand Canyon University, which is ongoing and which may result in fines, penalties, other sanctions, and damage to our reputation in the industry," "Risk Factors — We were recently notified that a *qui tam* lawsuit has been filed against us alleging, among other things, that we have improperly compensated certain of our enrollment counselors, and we may incur liability, be subject to sanctions, or experience damage to our reputation as a result of this lawsuit," and "Regulation — Regulation of Federal Student Financial Aid Programs — Incentive compensation rule." Claims and lawsuits brought against us, even if they are without merit, may also result in adverse publicity, damage our reputation, negatively affect the market price of our stock, adversely affect our student enrollments, and reduce the willingness of third parties to do business with us. Even if we adequately address the issues raised by any such proceeding and successfully defend against it, we may have to devote significant financial and management resources to address these issues, which could harm our business.

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

According to a September 2008 report from the NCES, enrollment in degree-granting, postsecondary institutions is projected to grow 12.0% over the ten-year period ending fall 2016 to approximately 19.9 million. This growth is slower than the 23.6% increase reported in the prior ten-year period ended in fall 2006, when enrollment increased from 14.4 million in 1996 to 17.8 million in 2006. In addition, according to a March 2008 report from the Western Interstate Commission for Higher Education, the number of high school graduates that are eligible to enroll in degree-granting, postsecondary institutions is expected to peak at approximately 3.3 million for the class of 2008, falling in the period between 2007-08 and 2013-14 by about 150,000 in total before resuming a growth pattern for the foreseeable future thereafter. In order to maintain current growth rates, we will need to attract a larger percentage of students in existing markets and expand our markets by creating new academic programs. In addition, if job growth in the fields related to our core disciplines is weaker than expected, including since the 2007 BLS report predicting strong job growth in these disciplines was completed, fewer students may seek the types of degrees that we offer. Our failure to attract new students, or the decisions by prospective students to seek degrees in other disciplines, would have an adverse impact on our future growth.

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

During the fiscal year ended December 31, 2007, private loans to students at our school represented approximately 5.1% of our revenue (calculated on a cash basis) as compared to 2.5% of revenue in fiscal 2006 and 1.9% of revenue in fiscal 2005. These loans were provided pursuant to private loan programs and were made available to eligible students to fund a portion of the students' costs of education not covered by the Title IV programs and state financial aid sources. Private loans are made to our students by lending institutions and are non-recourse to us. Recent adverse market conditions for consumer and federally guaranteed student loans (including lenders' increasing difficulties in reselling or syndicating student loan portfolios) have resulted, and could continue to result, in providers of private loans reducing the availability of or increasing the costs associated with providing private loans to postsecondary students. In particular, loans to students with low credit scores who would not otherwise be eligible for credit-based private loans have become increasingly difficult to obtain. Prospective students may find that these increased financing costs make borrowing prohibitively expensive and abandon or delay enrollment in postsecondary education programs. If any of these scenarios were to occur, our students' ability to finance their education could be

adversely affected and our student population could decrease, which could have a material adverse effect on our business, prospects, financial condition, and results of operations.

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

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

We have submitted a description of the offering to the Department of Education, including a description of a voting agreement that certain of our stockholders will enter into in connection with this offering. See “Certain Relationships and Related Transactions — Voting Agreement.” The Department of Education has informed us that the offering will not trigger a change in ownership resulting in a change in control under the Department of Education’s regulations.

The Higher Learning Commission has informed us that it will consider the offering to be a change in control under its policies, which will require us to obtain the Higher Learning Commission’s approval prior to consummating the offering. We have filed additional correspondence with the Higher Learning Commission regarding the information needed to obtain such approval. As a result of its determination that the offering will be a change in control, the Higher Learning Commission is likely to conduct a site visit within six months of consummation of the offering to confirm the appropriateness of the approval and to evaluate whether we continue to meet the Higher Learning Commission’s eligibility criteria. In addition, based on our communications with the Arizona State Board for Private Postsecondary Education, we believe the offering will be a change in control under Arizona law. Accordingly, following the consummation of the offering, we will be required to file an application with the Arizona State Board for Private Postsecondary Education in order to obtain such approval. We cannot predict whether the Higher Learning Commission or the Arizona State Board for Private Postsecondary Education will impose any limitations or conditions on us, or identify any compliance issues related to us in the context of the change in control process, that could result in our loss of accreditation or authorization by such agency, as applicable. Any such loss of accreditation or authorization would result in our loss of eligibility to participate in the Title IV programs and cause a significant decline in our student enrollments.

We also intend to seek confirmation from other accrediting commissions and state agencies, as we believe necessary, that this offering will not constitute a change in control under their respective standards, or to determine what is required if any such commission or agency does consider the offering to constitute a change in control.

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

A school participating in the Title IV programs may not provide, or contract with a third party that provides, any commission, bonus, or other incentive payment based on success in enrolling students or

securing financial aid to any person involved in student recruiting or admission activities or in making decisions regarding the awarding of Title IV program funds. The Department of Education's regulations set forth 12 "safe harbors" which describe payments and arrangements that do not violate the incentive compensation rule. The Department of Education's regulations make clear that the safe harbors are not a complete list of permissible practices under this law. One of these safe harbors permits adjustments to fixed salary for enrollment personnel provided that such adjustments are not made more than twice during any twelve month period, and that any adjustment is not based solely on the number of students recruited, admitted, enrolled, or awarded financial aid. While we believe that our compensation policies and practices 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, in a limited number of instances, our actions have not been within the scope of any specific safe harbor provided in the compensation regulations. In addition, such safe harbors do not address non-cash awards to enrollment personnel.

As described in "Risk Factors — The Office of Inspector General of the Department of Education has commenced an investigation of Grand Canyon University, which is ongoing and which may result in fines, penalties, other sanctions, and damage to our reputation in the industry," and in "Regulation — Regulation of Federal Student Financial Aid Programs — Incentive compensation rule," we are currently subject to an investigation by the Department of Education's Office of Inspector General, which we believe is focused on the manner in which we have compensated our enrollment counselors and managers. In addition, in recent years several for-profit education companies, including us, have been faced with whistleblower lawsuits, known as "*qui tam*" cases, by current or former employees alleging violations of this prohibition. See "Risk Factors — We were recently notified that a *qui tam* lawsuit has been filed against us alleging, among other things, that we have improperly compensated certain of our enrollment counselors, and we may incur liability, be subject to sanctions, or experience damage to our reputation as a result of this lawsuit." If the Department of Education determines as a result of the pending investigation that we have violated this law, if we are found to be liable in the pending *qui tam* action, or if we or any third parties we have engaged otherwise violate this law, we could be fined or sanctioned by the Department of Education, or subjected to other monetary liability or penalties that could be substantial, any of which could harm our reputation, impose significant costs on us, and have a material adverse effect on our business, prospects, financial condition, and results of operations.

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

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

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

A for-profit institution loses its eligibility to participate in the Title IV programs if, under a formula that requires cash basis accounting and other adjustments to the calculation of revenue, it derives more than 90% of its revenues from those programs in any fiscal year. The period of ineligibility is at least the next succeeding fiscal year, and any Title IV funds already received by the institution and its students in that succeeding year would have to be returned to the applicable lender or the Department of Education. Using the

Department of Education's formula for this test, we have calculated that, for our 2006 and 2007 fiscal years, we derived approximately 71.5% and 74.0%, respectively, of our revenue from the Title IV programs. The August 2008 reauthorization of the Higher Education Act makes significant changes to this revenue requirement, effective upon the date of the law's enactment. Under the new law, an institution will be subject to loss of eligibility to participate in the Title IV programs only if it exceeds the 90% threshold for two consecutive years, the period of ineligibility is extended to at least two years, and an institution whose rate exceeds 90% for any single year will be placed on provisional certification. Recent changes in federal law that increased Title IV grant and loan limits, and any additional increases in the future, may result in an increase in the revenues we receive from the Title IV programs, which could make it more difficult for us to satisfy this requirement. Exceeding the 90% threshold and losing our eligibility to participate in the Title IV programs would have a material adverse effect on our business, prospects, financial condition, and results of operations.

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

An institution may lose its eligibility to participate in some or all of the Title IV programs if, for three consecutive years, 25% or more of its students who were required to begin repayment on their student loans in one year default on their payment by the end of the following year. In addition, an institution may lose its eligibility to participate in some or all of the Title IV programs if the default rate of its students exceeds 40% for any single year. The August 2008 reauthorization of the Higher Education Act extends by one year the period for which students' defaults on their loans will be included in the calculation of an institution's default rate, a change that is expected to increase most institutions' default rates. The new law also increases the threshold for an institution to lose its eligibility to participate in the relevant Title IV programs from 25% to 30%. These changes to the law take effect for institutions' cohort default rates for federal fiscal year 2009, which are expected to be calculated and issued by the Department of Education in 2012. Although our cohort default rates have historically been significantly below these levels, we cannot assure you that this will continue to be the case. Any increase in interest rates or declines in income or job losses for our students could contribute to higher default rates on student loans. Exceeding the student loan default rate thresholds and losing our eligibility to participate in the Title IV programs would have a material adverse effect on our business, prospects, financial condition, and results of operations. Any future changes in the formula for calculating student loan default rates, economic conditions, or other factors that cause our default rates to increase, could place us in danger of losing our eligibility to participate in some or all of the Title IV programs and materially adversely affect us.

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

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

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

Our expansion efforts include offering new educational programs. In addition, we may increase our operations in additional states and seek to acquire existing schools from other companies. If we are unable to obtain the necessary approvals for such new programs, operations, or acquisitions from the Department of Education, the Higher Learning Commission, the Arizona State Board for Private Postsecondary Education, or

any other applicable state education agency or accrediting commission, or if we are unable to obtain such approvals in a timely manner, our ability to consummate the planned actions and provide Title IV funds to any affected students would be impaired, which could have a material adverse effect on our expansion plans. If we were to determine erroneously that any such action did not need approval or had all required approvals, we could be liable for repayment of the Title IV program funds provided to students in that program or at that location.

Risks Related to Our Business

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

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

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

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

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

In order to support our planned revenue growth we intend to hire, develop, and train a significant number of additional employees responsible for student recruitment and retain and continue to develop and train our current student recruitment personnel. Our ability to develop and maintain a strong student recruiting function may be affected by a number of factors, including our ability to integrate and motivate our enrollment counselors, our ability to effectively train our enrollment counselors, the length of time it takes new

enrollment counselors to become productive, regulatory restrictions on the method of compensating enrollment counselors, and the competition in hiring and retaining enrollment counselors. If we are unable to hire, develop, and retain a sufficient number of qualified enrollment counselors, our ability to increase enrollments would be adversely affected.

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

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

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

During the preparation of our financial statements for 2005, 2006, and 2007, and for the six month period ended June 30, 2008, our management identified material weaknesses in our internal control over financial reporting, as defined in the standards established by the American Institute of Certified Public Accountants, that affected our financial statements for each of the periods covered by such statements. See "Management's Discussion and Analysis of Financial Condition and Results of Operations — Internal Control Over Financial Reporting." We have restated our financial statements as of December 31, 2006 and 2007 and for the years ended December 31, 2005, 2006, and 2007. See Note 3, "Restatement of Financial Statements," to our financial statements.

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

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

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

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

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

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

We continually seek to improve the content of our existing programs and develop new programs in order to meet changing market needs. The success of any of our programs and courses, both ground and online, depends in part on our ability to expand the content of our existing programs, develop new programs in a cost-effective manner, and meet the needs of existing and prospective students and employers in a timely manner, as well as on the acceptance of our actions by existing or prospective students and employers. As of June 30, 2008, we offered 74 fully online programs, 17 of which we introduced in 2007, seven of which we introduced in the first six months of 2008, and many of which were based on our existing ground programs. In the future, we may develop programs solely, or initially, for online use, which may pose new challenges, including the need to develop course content without having an existing program on which such content can be based. Even if we are able to develop acceptable new programs, we may not be able to introduce these new programs in a timely fashion or as quickly as our competitors are able to introduce competing programs. If we do not respond adequately to changes in market conditions, our ability to attract and retain students could be impaired and our business, prospects, financial condition, and results of operations could suffer.

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

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

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

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

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

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

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

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

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

Our success to date has largely depended on, and will continue to depend on, the skills, efforts, and motivation of our executive officers, who generally have significant experience with our company and within the education industry. Our success also largely depends on our ability to attract and retain highly qualified faculty, school administrators, and additional corporate management personnel. We may have difficulties in

locating and hiring qualified personnel and in retaining such personnel once hired. In addition, because we operate in a highly competitive industry, our hiring of qualified executives or other personnel may cause us or such persons to be subject to lawsuits alleging misappropriation of trade secrets, improper solicitation of employees, or other claims. Other than non-compete agreements of limited duration that we have with certain executive officers, we have not historically sought non-compete agreements with key personnel and they may leave and subsequently compete against us. The loss of the services of any of our key personnel, many of whom are not party to employment agreements with us, or our failure to attract and retain other qualified and experienced personnel on acceptable terms, could cause our business to suffer.

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

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

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

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

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

Possession and use of personal information in our operations subjects us to risks and costs that could harm our business. We collect, use, and retain large amounts of personal information regarding our applicants, students, faculty, staff, and their families, including social security numbers, tax return information, personal and family financial data, and credit card numbers. We also collect and maintain personal information of our

employees in the ordinary course of our business. Our services can be accessed globally through the Internet. Therefore, we may be subject to the application of national privacy laws in countries outside the U.S. from which applicants and students access our services. Such privacy laws could impose conditions that limit the way we market and provide our services.

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

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

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

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

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

As of June 30, 2008, approximately 61% of our students were graduate students. Although we anticipate that this percentage will decline over time due as a result of our planned growth emphasis in our undergraduate business and liberal arts programs, if we were to experience any event that adversely affected our graduate offerings or the attractiveness of our programs to prospective graduate students, our business, prospects, financial condition, and results of operations could be significantly and adversely affected.

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

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

all, and we may be required to alter the content of our courses or pay monetary damages, which may be significant.

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

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

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

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

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

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

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

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

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

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

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

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

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

A majority of our faculty at June 30, 2008 were online faculty, whom we treat as independent contractors. Because we classify our online faculty as independent contractors, we do not withhold federal or state income or other employment-related taxes, make federal or state unemployment tax or Federal Insurance Contributions Act, or FICA, payments or provide workers' compensation insurance with respect to our online faculty. The determination of whether online faculty members are properly classified as independent contractors or as employees is based upon the facts and circumstances of our relationship with our online faculty members. Federal or state authorities may challenge our classification as incorrect and assert that our online faculty members must be classified as employees. In the event that we were to reclassify our online faculty as employees, we would be required to withhold the appropriate taxes, make unemployment tax and FICA payments, and pay for workers' compensation insurance and additional payroll processing costs. If we had reclassified our online faculty members as employees for 2007, we estimate our additional tax, workers' compensation insurance, and payroll processing payments would have been approximately \$1.2 million for that year. The amount of additional tax and insurance payments would increase in the future as the total amount we pay to online faculty increases. In addition to these known costs, we could be subject to retroactive taxes and penalties, which may be significant, by federal and state authorities, which could adversely affect our business, prospects, financial condition, and results of operations.

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

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

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

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

costs for clean-up, damages, and fines, or penalties which could adversely impact our business, prospects, financial condition, and results of operations.

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

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

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

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

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

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

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

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

Risks Related to the Offering

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

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

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

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

- our quarterly or annual earnings or earnings of other companies in our industry;
- the public's reaction to our press releases, our other public announcements, and our filings with the SEC;
- changes in earnings estimates or recommendations by research analysts who track our common stock or the stocks of other companies in our industry;
- changes in our number of enrolled students;
- new laws or regulations or new interpretations of laws or regulations applicable to our business;
- seasonal variations in our student population;
- the availability and cost of Title IV funds, other student financial aid, and private loans;
- the failure to maintain or keep in good standing our regulatory approvals and accreditations;
- changes in accounting standards, policies, guidance, interpretations, or principles;
- changes in general conditions in the U.S. and global economies or financial markets, including those resulting from war, incidents of terrorism, or responses to such events;
- an adverse economic or other development that affects job prospects in our core disciplines;
- litigation involving our company, or investigations or audits by regulators into the operations of our company or our competitors, including the investigation of Grand Canyon University currently being conducted by the Office of Inspector General of the Department of Education, the pending *qui tam* action regarding the manner in which we have compensated our enrollment personnel, and the review being conducted by the Attorney General of the State of Arizona regarding institutions' student loan practices; and
- sales of common stock by our directors, executive officers, and significant stockholders.

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

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

Our directors, executive officers, and principal existing stockholders will beneficially own approximately 30,645,702 shares, or 72.8%, of our common stock upon the completion of this offering. Our directors and executive officers will beneficially own in the aggregate approximately 28,810,572 shares, or 68.4%, of our common stock after the offering. In addition, pursuant to a voting agreement entered into among Brent Richardson, Chris Richardson, and certain of our existing stockholders, the Richardsons will have voting control over approximately 45.3% or our common stock effective upon completion of the offering. See "Certain Relationships and Related Transactions — Voting Agreement." Accordingly, the Richardsons could significantly influence the outcome of any actions requiring the vote or consent of stockholders, including elections of directors, amendments to our certificate of incorporation and bylaws, mergers, going private transactions, and other extraordinary transactions, and any decisions concerning the terms of any of these transactions. The ownership and voting positions of these stockholders may have the effect of delaying, deterring, or preventing a change in control or a change in the composition of our board of directors. These stockholders may also use their contractual rights, including access to management, and their large ownership

position to address their own interests, which may be different from those of our other stockholders, including investors in this offering.

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

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

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

Sales of our common stock by existing investors may begin shortly after the completion of this offering. Sales of a substantial number of shares of our common stock in the public market following this offering, or the perception that these sales could occur, could cause the market price of our common stock to decline. The shares of our common stock outstanding prior to this offering will be eligible for sale in the public market at various times in the future. All of our directors, executive officers, and stockholders agreed with the underwriters, subject to certain exceptions, not to dispose of or hedge any of their common stock or securities convertible into or exchangeable for shares of common stock until 180 days after the date of this prospectus, except with the prior written consent of the representatives identified in the section of this prospectus entitled “Underwriting.” Upon expiration of this lock-up period, up to approximately 31,499,354 additional shares of common stock may be eligible for sale in the public market without restriction, and up to approximately 26,771,211 shares of common stock held by affiliates may become eligible for sale, subject to the restrictions under Rule 144 of the Securities Act of 1933, as amended, or the Securities Act.

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

If you purchase shares in this offering, the value of your shares based on our actual book value will immediately be less than the price you paid. This reduction in the value of your equity is known as dilution. This dilution occurs in large part because our earlier investors paid substantially less than the initial public offering price when they purchased their shares of our common stock. Based upon the issuance and sale of 10,500,000 shares of our common stock by us in this offering at an assumed initial public offering price of \$19.00 per share, the midpoint of the price range set forth on the cover page of this prospectus, you will incur immediate dilution of \$18.16 in the net tangible book value per share. A \$1.00 increase or decrease in the assumed initial public offering price of \$19.00 per share would increase or decrease, as applicable, our pro forma as-adjusted net tangible book value per share of common stock by \$0.05, and increase or decrease, as applicable, the dilution per share of common stock to new investors by \$0.95, assuming the number of shares offered by us, as set forth on the cover page of this prospectus, remains the same, after deducting the estimated underwriting discounts and commissions and estimated offering expenses payable by us and after payment of the special distribution to our existing stockholders. If the underwriters exercise their over-allotment option, or if outstanding options to purchase our common stock are exercised, investors will experience additional dilution. For more information, see “Dilution.”

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

Anti-takeover provisions of our certificate of incorporation, bylaws, the Delaware General Corporation Law, or DGCL, and regulations of state and federal education agencies could diminish the opportunity for stockholders to participate in acquisition proposals at a price above the then-current market price of our common stock. For example, while we have no present plans to issue any preferred stock, our board of directors, without further stockholder approval, may issue shares of undesignated preferred stock and fix the

powers, preferences, rights, and limitations of such class or series, which could adversely affect the voting power of your shares. In addition, our bylaws provide for an advance notice procedure for nomination of candidates to our board of directors that could have the effect of delaying, deterring, or preventing a change in control. Further, as a Delaware corporation, we are subject to provisions of the DGCL regarding “business combinations,” which can deter attempted takeovers in certain situations. The approval requirements of the Department of Education, our regional accrediting commission, and state education agencies for a change in control transaction could also delay, deter, or prevent a transaction that would result in a change in control. We may, in the future, consider adopting additional anti-takeover measures. The authority of our board to issue undesignated preferred or other capital stock and the anti-takeover provisions of the DGCL, as well as other current and any future anti-takeover measures adopted by us, may, in certain circumstances, delay, deter, or prevent takeover attempts and other changes in control of the company not approved by our board of directors. See “Description of Capital Stock” for further information.

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

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

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

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

FORWARD-LOOKING STATEMENTS

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

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

- our failure to comply with the extensive regulatory framework applicable to our industry, including Title IV of the Higher Education Act and the regulations thereunder, state laws and regulatory requirements, and accrediting commission requirements;
- the 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,” “Management’s Discussion and Analysis of Financial Condition and Results of Operations,” “Business,” and “Regulation.”

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

USE OF PROCEEDS

The net proceeds from the sale of 10,500,000 shares of our common stock offered by us in this offering will be approximately \$179.7 million (or approximately \$207.6 million if the underwriters exercise their over-allotment option in full), assuming an initial public offering price of \$19.00 per share, which is the midpoint of the range set forth on the cover page of this prospectus, and after deducting the underwriting discounts and commissions and estimated offering expenses payable by us.

We will pay a special distribution of 75% of the gross proceeds of this offering, including any proceeds we receive from the underwriters' exercise of their over-allotment option, that will be payable promptly upon the completion of this offering (and following the exercise of the over-allotment option, if applicable) to our stockholders of record as of September 26, 2008. We will make this distribution upon completion of the offering. See "Special Distribution" for further information.

In 2004, we issued a warrant to purchase shares of our common stock in connection with a sale-leaseback transaction we entered into relating to our ground campus. Under the original terms of the warrant, we were entitled to repurchase the warrant for an aggregate price of \$16.0 million. Under an amendment to the warrant that was effected in connection with our 2005 conversion from a limited liability company to a corporation, the right to repurchase the warrant, as well as a right to repurchase any shares issued upon exercise of the warrant, in each case for \$16.0 million, was transferred to a holding company whose sole purpose was to hold the equity interests of all of our members at the time of conversion. In connection with this offering, if the members of the holding company do not exercise such right, then we will exercise the right to repurchase the warrant or the underlying shares. Based on indications of interest received from such members to date, we expect to use at least \$9.4 million, and up to \$16.0 million of the net proceeds of this offering to repurchase any portion of the warrant or the underlying shares not purchased by such members.

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

Each \$1.00 increase or decrease in the assumed public offering price of \$19.00 per share would increase or decrease, as applicable, the aggregate amount of the special distribution by \$7.9 million, the per share amount of the special distribution by \$0.25 on an as-if converted basis and the net proceeds to us by approximately \$1.9 million, assuming the number of shares offered by us, as set forth on the cover page of this prospectus, remains the same and, with respect to the net proceeds to us, after deducting estimated underwriting discounts and commissions and the special distribution noted above. Similarly, any increase or decrease in the number of shares that we sell in the offering will increase or decrease the special distribution and our net proceeds in proportion to such increase or decrease, as applicable, multiplied by the offering price per share, with respect to our net proceeds, less underwriting discounts and commissions.

SPECIAL DISTRIBUTION

We will pay a special distribution of 75% of the gross proceeds of this offering, including any proceeds we receive from the underwriters' exercise of their over-allotment option, that will be paid promptly upon the completion of this offering (and following the exercise of the over-allotment option, if applicable) to our stockholders of record as of September 26, 2008. Of the estimated aggregate amount of the special distribution of \$149.6 million (exclusive of any amounts that may be received from the underwriters' exercise of the over-allotment option), assuming an initial public offering price of \$19.00 per share, which is the midpoint of the price range set forth on the cover of this prospectus, \$81.1 million will be paid in respect of shares of our capital stock over which our directors and executive officers are deemed to exercise sole or shared voting or investment power. These proceeds will be allocated among our directors and executive officers, as well as persons known to us to own beneficially 5% or more of our outstanding common stock, as set forth in the following table.

Name of Beneficial Owner	Date of Acquisition of Shares to Which Special Distribution Relates	Original Acquisition Cost of Shares to Which Special Distribution Relates(1)	Amount of Special Distribution(2)
		(In thousands)	
5% Stockholders			
Endeavour Capital Fund IV, L.P. and affiliates ⁽³⁾			
Series A convertible preferred stock	August 24, 2005	\$ 16,000	\$ 42,917
Series C preferred stock	December 18, 2007	5,863	2,931
Total		21,863	45,849
220 GCU, L.P. and affiliates ⁽⁴⁾			
Common stock	February 2, 2004	3,042	22,423
Series A convertible preferred stock	August 24, 2005	3,250	8,717
Series C preferred stock	December 18, 2007	3,271	1,636
Total		9,563	32,776
Staci L. Buse ⁽⁵⁾			
Common stock	February 2, 2004	1,443	16,299
Series C preferred stock	December 18, 2007	934	467
Total		2,377	16,766
Significant Ventures, LLC			
Common stock	February 2, 2004	36	12,363
Series C preferred stock	December 18, 2007	1,223	611
Total		1,259	12,974
Directors			
Chad N. Heath ⁽³⁾			
Series A convertible preferred stock	August 24, 2005	16,000	42,917
Series C preferred stock	December 18, 2007	5,863	2,931
Total		21,863	45,849
D. Mark Dorman ⁽³⁾			
Series A convertible preferred stock	August 24, 2005	16,000	42,917
Series C preferred stock	December 18, 2007	5,863	2,931
Total		21,863	45,849
Executive Officers			
Brent D. Richardson ⁽⁵⁾			
Common stock	February 2, 2004	1,443	16,299
Series C preferred stock	December 18, 2007	934	467
Total		2,377	16,776
John E. Crowley ⁽⁶⁾			
Common stock	February 2, 2004	164	1,678
Series C preferred stock	December 18, 2007	117	58
Total		281	1,736
Christopher C. Richardson ⁽⁵⁾			
Common stock	February 2, 2004	1,443	16,308
Series C preferred stock	December 18, 2007	934	467
Total		2,377	16,775
All directors and executive officers as a group		\$ 26,898	\$ 81,127

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- (1) On August 24, 2005, we converted from a limited liability company to a taxable corporation. The reported acquisition cost of shares of common stock represents the value of the capital contributions originally made to acquire the limited liability company interests that were converted into common stock upon such conversion plus capital contributions for which no additional interests were issued, less capital distributions.
 - (2) The special distribution is being paid in respect of our common stock, Series A convertible preferred stock, and Series C preferred stock, in each case on an as-converted basis. Upon the closing of this offering, shares of the Series A convertible preferred stock will convert into shares of common stock on a 1,826-for-one basis and shares of the Series C preferred stock will convert into shares of common stock at a rate equal to their liquidation preference per share divided by the initial public offering price per share, which is estimated to be \$19.00 per share, which is the midpoint of the range set forth on the cover page of this prospectus.
 - (3) Represents shares held of record by Endeavour Capital Fund IV, L.P., Endeavour Associates Fund IV, L.P., and Endeavour Capital Parallel Fund IV, L.P., which we refer to as the Endeavour Entities. Messrs. Chad N. Heath and D. Mark Dorman, each of whom is a managing director of Endeavor Capital IV, LLC, the general partner for each of the Endeavour Entities, are members of our board of directors.
 - (4) Represents shares held of record by 220 GCU, L.P., 220 Education, L.P., 220-SigEd, L.P., and SV One, L.P.
 - (5) Represents shares held of record by Rich Crow Enterprises, LLC and Masters Online, LLC, of which Brent Richardson, Chris Richardson, and Staci Buse are members and, in each case, which are attributable to, and beneficially owned by, Brent Richardson, Chris Richardson, or Staci Buse, as applicable.
 - (6) Represents shares held of record by Rich Crow Enterprises, LLC, of which John Crowley is a member, which are attributable to, and beneficially owned by, John Crowley.

See “Certain Relationships and Related Transactions — Special Distribution” and “Beneficial Ownership of Common Stock” for additional information regarding the beneficiaries of the special distribution and share ownership.

DIVIDEND POLICY

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

CAPITALIZATION

The following table sets forth our capitalization as of June 30, 2008:

- on an actual basis;
- on a pro forma basis, giving effect to:
 - (i) the automatic conversion of all outstanding shares of Series A convertible preferred stock into 10,870,178 shares of common stock upon the closing of the offering; and
 - (ii) the automatic conversion of all outstanding shares of Series C preferred stock into 1,410,526 shares of common stock upon the closing of the offering at a conversion rate equal to their liquidation preference per share divided by the initial public offering price per share, which is estimated to be \$19.00 per share, which is the midpoint of the range set forth on the cover page of this prospectus; and
- on a pro forma, as adjusted basis, giving effect to the pro forma adjustments above, as well as:
 - (i) our sale of 10,500,000 shares of our common stock in this offering (at an assumed initial public offering price of \$19.00 per share, which is the midpoint of the range set forth on the cover page of this prospectus) and after deducting the underwriting discounts and commissions and estimated offering expenses payable by us;
 - (ii) the payment of a special distribution to our existing stockholders of 75% of the gross proceeds from the sale of common stock by us in this offering, including any proceeds we receive from the underwriters' exercise of their over-allotment option, which will occur promptly upon the consummation of this offering (and the closing of the exercise of the over-allotment option, if applicable);
 - (iii) the repurchase by us of an outstanding warrant to purchase common stock for \$16.0 million in cash as described in "Use of Proceeds;" and
 - (iv) the amendment and restatement of our certificate of incorporation in connection with the closing of this offering, which will increase our authorized capital stock.

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

	As of June 30, 2008		
	Actual	Pro Forma (In thousands, except share data)	Pro Forma, as Adjusted
Cash and cash equivalents ⁽¹⁾	\$ 7,206	\$ 7,206	\$ 21,316
Capital lease obligations	29,420	\$ 29,420	\$ 29,420
Other indebtedness	1,894	\$ 1,894	\$ 1,894
Series A convertible preferred stock: \$0.01 par value; 9,700 shares authorized, 5,953 shares issued and outstanding, actual; no shares authorized, issued, and outstanding, pro forma and pro forma, as adjusted	18,610	—	—
Series B preferred stock: \$0.01 par value; 2,200 shares authorized, no shares issued and outstanding, actual; no shares authorized, issued, and outstanding, pro forma and pro forma, as adjusted	0	—	—
Series C preferred stock: \$0.01 par value; 3,900 shares authorized, 3,829 shares issued and outstanding, actual; no shares authorized, issued, and outstanding, pro forma and pro forma, as adjusted	13,859	—	—
Stockholders’ equity:			
Undesignated preferred stock: \$0.01 par value; no shares authorized, issued and outstanding, actual and pro forma; 10,000,000 shares authorized, no shares issued and outstanding, pro forma, as adjusted	—	—	—
Common stock: \$0.01 par value; 100,000,000 shares authorized, 19,218,650 shares issued and outstanding, actual; 100,000,000 shares authorized, 31,499,354 shares issued and outstanding, pro forma; 100,000,000 shares authorized, 41,999,354 shares issued and outstanding pro forma, as adjusted	192	315	420
Additional paid-in capital ⁽¹⁾	6,508	38,854	52,859
Accumulated other comprehensive income	10	10	10
Accumulated deficit	(15,150)	(15,150)	(15,150)
Total stockholders’ equity (deficit)	(8,440)	24,029	38,139
Total capitalization	\$ 55,343	\$ 55,343	\$ 69,453

- (1) A \$1.00 increase or decrease in the assumed initial public offering price of \$19.00 per share would increase or decrease cash, cash equivalents, and short-term marketable securities by \$1.9 million, would increase or decrease additional paid-in capital by \$1.9 million, and would increase or decrease total stockholders’ equity and total capitalization by \$1.9 million, after deducting the underwriting discount, the repurchase of the warrant described in the introductory paragraph to this table, and the payment of a special distribution to our existing stockholders of 75% of the gross proceeds from the sale of common stock by us in this offering. Similarly, any increase or decrease in the number of shares that we sell in the offering will increase or decrease our net proceeds in proportion to such increase or decrease, as applicable, multiplied by the offering price per share, less underwriting discounts and commissions.

DILUTION

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

As of June 30, 2008, our pro forma net tangible book value would have been \$21.1 million or, \$0.67 per share. Pro forma net tangible book value per share represents the amount of our total tangible assets reduced by our total liabilities, divided by the number of shares of common stock outstanding after giving effect to the conversion of all outstanding classes of preferred stock into common stock.

Pro forma as adjusted net tangible book value per share represents the amount of total tangible assets reduced by our total liabilities, divided by the number of shares of common stock outstanding after giving effect to the conversion of all outstanding classes of preferred stock into common stock, the repurchase of our outstanding warrant, the payment of the estimated amount of the special distribution to certain of our existing stockholders and the sale of 10,500,000 shares of common stock in the offering at an initial public offering price of \$19.00, the midpoint of the price range set forth on the cover page of this prospectus. Our pro forma as adjusted net tangible book value as of June 30, 2008 would have been \$35.2 million, or \$0.84 per share. This represents an immediate increase in net tangible book value of \$0.17 per share to existing stockholders and an immediate dilution of \$18.16 per share to new investors purchasing shares in the offering. The following table illustrates this per share dilution:

Assumed initial public offering price per share of common stock	\$ 19.00
Pro forma net tangible book value per share of common stock as of June 30, 2008	\$ 0.67
Increase per share of common stock attributable to new investors	4.57
Decrease per share of common stock after payment of underwriting discounts and commission and estimated offering expenses by us	(0.46)
Decrease per share of common stock after repurchase of warrant	(0.38)
Decrease per share of common stock after payment of the special distribution to certain of our existing stockholders	(3.56)
Pro forma as adjusted net tangible book value per share of common stock after this offering	0.84
Dilution per share of common stock to new investors	\$ 18.16

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

A \$1.00 increase or decrease in the assumed initial public offering price of \$19.00 per share would increase or decrease, as applicable, our as pro forma adjusted net tangible book value per share of common stock by \$0.05, and increase or decrease, as applicable, the dilution per share of common stock to new investors by \$0.95, assuming the number of shares offered by us, as set forth on the cover page of this prospectus, remains the same, after deducting the estimated underwriting discounts and commissions and estimated offering expenses payable by us. Similarly, any increase or decrease in the number of shares that we sell in the offering will increase or decrease our net proceeds in proportion to such increase or decrease, as applicable, multiplied by the offering price per share, less underwriting discounts and commissions and offering expenses.

The following table sets forth, as of June 30, 2008, on the pro forma as-adjusted basis described above, the differences between existing stockholders and new investors with respect to the total number of shares of common stock purchased from us, the total consideration paid, and the average price per share paid before deducting underwriting discounts and commissions and estimated offering expenses payable by us, at an assumed initial public offering price of \$19.00 per share of common stock, which is the midpoint of the range set forth on the cover page of this prospectus:

	Shares Purchased		Total Consideration		Average Price Per Share
	Number	Percent	Amount (Dollars in thousands)	Percent	
Existing stockholders	31,499,354	75.0%	\$ 40,300	16.8%	\$ 1.28
New investors	10,500,000	25.0%	199,500	83.2%	\$ 19.00
Total	<u>41,999,354</u>	<u>100.0%</u>	<u>\$ 239,800</u>	<u>100.0%</u>	<u>\$ 5.71</u>

A \$1.00 increase or decrease in the assumed initial public offering price of \$19.00 per share would increase or decrease, as applicable, total consideration paid by new investors, total consideration paid by all stockholders and average price per share paid by all stockholders by \$10.5 million, \$10.5 million, and \$0.25, respectively, assuming the number of shares offered by us, as set forth on the cover page of this prospectus, remains the same. Similarly, any increase or decrease in the number of shares that we sell in the offering will increase or decrease our net proceeds in proportion to such increase or decrease, as applicable, multiplied by the offering price per share, less underwriting discounts and commissions. This table does not give effect to the payment of the special distribution to existing stockholders.

If the underwriters' over-allotment option is exercised in full, the number of shares held by existing stockholders after this offering would be 31,499,354, or 72.3%, and the number of shares held by new investors would increase to 12,075,000, or 27.7%, of the total number of shares of our common stock outstanding after this offering.

SELECTED FINANCIAL AND OTHER DATA

The following table sets forth selected financial and other data as of the dates and for the periods indicated. The statement of operations and other data, excluding period end enrollment, for the years ended December 31, 2005, 2006, and 2007, and the balance sheet data as of December 31, 2006 and 2007, have been derived from our audited financial statements, which are included elsewhere in this prospectus. The selected statement of operations and other data for the period from February 2, 2004 (date of inception) through December 31, 2004, and the selected balance sheet data as of December 31, 2004 and 2005 have been derived from our unaudited financial statements, which are not included in this prospectus. The statement of operations and other data, excluding period end enrollment, for each of the six month periods ended June 30, 2007 and 2008, and the balance sheet data as of June 30, 2008, have been derived from our unaudited financial statements, which are presented elsewhere in this prospectus and include, in the opinion of management, all adjustments, consisting of normal, recurring adjustments, necessary for a fair presentation of such data. Our historical results are not necessarily indicative of our results for any future period.

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

	February 2, 2004 to December 31, 2004(2)	Year Ended December 31,			Six Months Ended June 30,	
	(Unaudited)	2005	2006 (Restated)(1)	2007	2007 (Unaudited)	2008
(In thousands, except enrollment and per share data)						
Statement of Operations Data:						
Net revenue	\$ 25,629	\$ 51,793	\$ 72,111	\$ 99,326	\$ 44,071	\$ 70,275
Costs and expenses:						
Instructional costs and services	19,705	28,063	31,287	39,050	17,555	24,028
Selling and promotional	9,735	14,047	20,093	35,148	14,186	27,473
General and administrative	10,828	12,968	15,011	17,001	8,377	10,960
Royalty to former owner	448	1,619	2,678	3,782	1,629	1,488
Total costs and expenses	40,716	56,697	69,069	94,981	41,747	63,949
Operating income (loss)	(15,087)	(4,904)	3,042	4,345	2,324	6,326
Interest expense	(1,135)	(3,098)	(2,827)	(2,975)	(1,515)	(1,507)
Interest income	10	276	912	1,172	692	432
Income (loss) before income taxes	(16,212)	(7,726)	1,127	2,542	1,501	5,251
Income tax expense (benefit)(3)	—	(3,440)	529	1,016	600	2,027
Net income (loss)	(16,212)	(4,286)	598	1,526	901	3,224
Preferred dividends	—	—	(527)	(349)	(167)	(521)
Net income available (loss attributable) to common stockholders	\$ (16,212)	\$ (4,286)	\$ 71	\$ 1,177	\$ 734	\$ 2,703
Earnings (loss) per common share						
Basic	N/A	\$ (0.23)	\$ 0.00	\$ 0.06	\$ 0.04	\$ 0.14
Diluted	N/A	\$ (0.23)	\$ 0.00	\$ 0.03	\$ 0.02	\$ 0.08
Shares used in computing earnings (loss) per common share						
Basic	N/A	18,470	18,853	18,923	18,853	19,089
Diluted	N/A	18,470	36,858	35,143	35,052	32,623
Other Data:						
Capital expenditures	\$ 24,376	\$ 817	\$ 2,387	\$ 7,406	\$ 3,234	\$ 3,983
Depreciation and amortization	\$ 1,136	\$ 1,879	\$ 2,396	\$ 3,300	\$ 1,473	\$ 2,269
Adjusted EBITDA(4)	\$ (13,503)	\$ (895)	\$ 9,074	\$ 11,723	\$ 5,551	\$ 10,294
Period end enrollment:(5)						
Online	3,141	6,212	8,406	12,497	9,032	14,847
Ground	1,852	2,210	2,256	2,257	1,300	1,663

	As of December 31,				As of
	2004	2005	2006	2007	June 30,
	(Unaudited)	(Unaudited)	(Restated)(1)		2008
	(In thousands)				(Unaudited)
Balance Sheet Data:					
Cash and cash equivalents	\$ 3,476	\$ 2,579	\$ 14,361	\$ 23,210	\$ 7,206
Total assets	30,892	51,859	61,232	88,568	80,548
Capital lease obligations (including short-term)	24,360	24,789	29,728	29,228	29,420
Other indebtedness (including short-term indebtedness)	4,511	2,635	2,462	2,408	1,894
Preferred stock	—	25,590	21,390	31,948	32,469
Total stockholders'/members' deficit(2)	(7,645)	(12,111)	(11,723)	(10,386)	(8,440)

- (1) Our financial statements at December 31, 2006, and 2007 and for each of the three years in the period ended December 31, 2007 have been restated. See Note 3, "Restatement of Financial Statements," in our financial statements that are included elsewhere in this prospectus.
- (2) On February 2, 2004, we acquired the assets of Grand Canyon University from a non-profit foundation and converted its operations from non-profit to for-profit status. While the university has continuously operated since 1949, for accounting and financial statement reporting purposes, we treat the date of acquisition and conversion to for-profit status as the date of inception of our business.
- (3) On August 24, 2005, we converted from a limited liability company to a taxable corporation. For all periods subsequent to such date, we have been subject to corporate-level U.S. federal and state income taxes.
- (4) Adjusted EBITDA is defined as net income (loss) plus interest expense net of interest income, plus income tax expense (benefit), and plus depreciation and amortization (EBITDA), as adjusted for (i) royalty payments incurred pursuant to an agreement with our former owner that has been terminated as of April 15, 2008, as discussed in "Management's Discussion and Analysis of Financial Condition and Results of Operations — Factors affecting comparability — Settlement with former owner" and Note 2 to our financial statements that are included elsewhere in this prospectus, and (ii) management fees and expenses that are no longer paid or that will no longer be payable following completion of this offering.

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

Our management uses Adjusted EBITDA:

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

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

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

	Year Ended December 31,			Six Months Ended June 30,	
	2005	2006	2007	2007	2008
		Restated(1)		(Unaudited)	
	(In thousands)				
Net income (loss)	\$ (4,286)	\$ 598	\$ 1,526	\$ 901	\$ 3,224
Plus: interest expense net of interest income	2,822	1,915	1,803	823	1,075
Plus: income tax expense (benefit)	(3,440)	529	1,016	600	2,027
Plus: depreciation and amortization	1,879	2,396	3,300	1,473	2,269
EBITDA	(3,025)	5,438	7,645	3,797	8,595
Plus: royalty to former owner(a)	1,619	2,678	3,782	1,629	1,488
Plus: management fees and expenses(b)	511	958	296	125	211
Adjusted EBITDA	\$ (895)	\$ 9,074	\$ 11,723	\$ 5,551	\$ 10,294

- (a) Reflects the royalty fee arrangement with the former owner of Grand Canyon University in which we agreed to pay a stated percentage of cash revenue generated by our online programs. As a result of the settlement of a dispute with the former owner, we are no longer obligated to pay this royalty, although the settlement includes a prepayment of future royalties that will be amortized in 2008 and future periods. See “Management’s Discussion and Analysis of Financial Condition and Results of Operations — Factors affecting comparability — Settlement with former owner” and Note 2 to our financial statements that are included elsewhere in this prospectus.
- (b) Reflects management fees and expenses of \$0.1 million, \$0.3 million, and \$0.3 million for the years ended December 31, 2005, 2006, and 2007, respectively, and \$0.1 million and \$0.2 million for the six month periods ended June 30, 2007 and 2008, respectively, to the general partner of Endeavour Capital, and an aggregate of \$0.4 million and \$0.7 million for the years ended December 31, 2005 and 2006, respectively, to an entity affiliated with a former director and another affiliated with a significant stockholder, in each case following their investment in us. The agreements relating to these arrangements have all terminated or will terminate by their terms upon the closing of this offering. See “Certain Relationships and Related Transactions.”
- (5) The decrease in the number of ground students on June 30, 2007 and 2008 in comparison to December 31, 2006 and 2007 is attributable to the fact that a portion of our ground students typically do not enroll in classes during the summer months. See “Management’s Discussion and Analysis of Financial Condition and Results of Operations — Seasonality.”

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

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

Overview

General

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. At June 30, 2008, we had approximately 16,500 students. At December 31, 2007 we had approximately 14,800 students, 85% of whom were enrolled in our online programs, with 62% pursuing master's degrees. Since we acquired Grand Canyon University in February 2004, we have enhanced our senior management team, expanded our online platform, increased our program offerings, and initiated a marketing and branding effort to further differentiate us in the markets in which we operate. We have also made investments to enhance our student and technology support services. We believe the changes we have instituted, combined with our management expertise, provide a platform that will support continued enrollment and revenue growth.

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

Regulatory

For our fiscal years ended December 31, 2006 and 2007, we derived cash receipts equal to approximately 67.9% and 70.2%, respectively, of our net revenue from tuition financed through federal student financial aid programs authorized by Title IV of the Higher Education Act. The following trends and uncertainties may affect the availability of or our participation in the Title IV programs.

During 2007 and 2008, student loan programs, including the Title IV programs, have come under increased scrutiny by the Department of Education, Congress, state attorneys general, and other parties, including with respect to lending practices related to such programs and potential conflicts of interest between educational institutions and their lenders. The Attorney General of the State of Arizona has requested extensive documentation and information from us and other institutions in Arizona concerning student loan practices, and we recently provided testimony in response to a subpoena from the Attorney General of the State of Arizona about such practices. As a result of this nationwide scrutiny, Congress has passed new laws, the Department of Education has enacted stricter regulations, and several states have adopted codes of conduct or enacted state laws that further regulate the conduct of lenders, schools, and school personnel. The effect of

such actions may be to increase the cost of participating in the Title IV programs and other student loan programs, although we are unable to calculate such potential costs at this time.

In addition, recent adverse market conditions for consumer loans in general have affected the student lending marketplace, causing some lenders to cease providing Title IV loans to students and causing others to reduce the benefits and increase the fees for the Title IV loans they provide. While some of the lenders we regularly engage with have announced decisions to stop participating in the Title IV loan market generally, to date there have been no material disruptions in the availability of Title IV loans to our students. The conditions in the market, including the effect of recent legislation aimed at broadening access to Title IV loans, are continuing to evolve and the ultimate impact of such market conditions on our business, if any, cannot be predicted. See “Regulation — Regulation of Federal Student Financial Aid Programs.”

Also, in recent years, several for-profit education companies have been faced with whistleblower lawsuits, known as “*qui tam*” cases, brought by current or former employees alleging that their institution had made impermissible incentive payments to admissions employees. The employees bringing such lawsuits typically seek, for themselves and for the federal government, substantial financial penalties against the subject company. In this regard, 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 had been filed on August 11, 2008. The lawsuit alleges, among other things, that we have 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. See “Risk Factors — We were recently notified that a *qui tam* lawsuit has been filed against us alleging, among other things, that we have improperly compensated certain of our enrollment counselors, and we may incur liability, be subject to sanctions, or experience damage to our reputation as a result of this lawsuit,” “Business — Legal Proceedings,” and “Regulation — Regulation of Federal Student Financial Aid Programs — Incentive compensation rule.” Further, on August 14, 2008, the Office of Inspector General of the Department of Education 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. See “Risk Factors — The Office of Inspector General of the Department of Education has commenced an investigation of Grand Canyon University, which is ongoing and which may result in fines, penalties, other sanctions, and damage to our reputation in the industry,” and “Regulation — Regulation of Federal Student Financial Aid Programs — Incentive compensation rule.” If it were determined that any of our compensation practices violated the incentive compensation law, we could be subject to substantial monetary liabilities, fines, and other sanctions or could suffer an adverse outcome in the *qui tam* litigation, 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.

Key financial metrics

Net revenue

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

We define enrollments for a particular time period as the number of students registered in a course on the last day of classes for each program within that financial reporting period. We offer three 16-week semesters in a calendar year, with two starts available per semester for our online students and for students who typically take evening courses on-campus or onsite at the facilities of their employer, whom we refer to as professional

studies ground students, and one start available per semester for our traditional ground students. Enrollments are a function of the number of continuing students at the beginning of each period and new enrollments during the period, which are offset by graduations, withdrawals, and inactive students during the period. Inactive students for a particular period include students who are not registered in a class and, therefore, are not generating net revenue for that period, but who have not withdrawn from Grand Canyon University.

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

The following is a summary of our student enrollment at December 31, 2005, 2006, and 2007 and June 30, 2007 and 2008 (which included less than 100 students pursuing non-degree certificates in each period) by degree type and by instructional delivery method:

	December 31,						June 30,			
	2005		2006		2007		2007		2008	
	#	%	#	%	#	%	#	%	#	%
Master's degree	6,204	73.7	7,812	73.3	9,156	62.1	7,641	74.0	10,051	60.9
Bachelor's degree	2,218	26.3	2,850	26.7	5,598	37.9	2,691	26.0	6,459	39.1
Total	8,422	100.0	10,662	100.0	14,754	100.0	10,332	100.0	16,510	100.0

	December 31,						June 30,			
	2005		2006		2007		2007		2008	
	#	%	#	%	#	%	#	%	#	%
Online	6,212	73.8	8,406	78.8	12,497	84.7	9,032	87.4	14,847	89.9
Ground*	2,210	26.2	2,256	21.2	2,257	15.3	1,300	12.6	1,663	10.1
Total	8,422	100.0	10,662	100.0	14,754	100.0	10,332	100.0	16,510	100.0

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

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

Based on current tuition rates, tuition for a full program would equate to approximately \$15,000 for an online master's program, approximately \$47,000 for a full four-year online bachelor's program, and approximately \$62,000 for a full four-year bachelor's program taken on our ground campus. The tuition amounts referred to above assume no reductions for transfer credits or scholarships, which many of our students utilize to reduce their total program costs. The amount of tuition received from our students for a full

program is reduced to the extent credits are transferred from other institutions. Additionally, tuition is reduced for some of our students by scholarships. For the years ended December 31, 2006 and 2007, revenue was reduced by approximately \$8.0 million and \$10.3 million, respectively, as a result of scholarships that we offered to our students. For the six months ended June 30, 2007 and 2008, we offered scholarships with a total value of approximately \$4.8 million and \$7.7 million, respectively.

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

We derive a majority of our net revenue from tuition financed by the Title IV programs. For the years ended December 31, 2006 and 2007, 67.9%, and 70.2%, respectively, of our net revenue was derived from the Title IV programs. Our students also rely on scholarships, personal savings, private loans, and employer tuition reimbursements to pay a portion of their tuition and related expenses. During fiscal 2007, payments derived from private loans constituted approximately 5.1% of our net revenue. Third party lenders independently determine whether a loan to a student is classified as subprime, and, based on these determinations, payments derived from subprime loans have historically constituted less than 0.2% of our net revenue. Our future revenues could be affected if and to the extent the Department of Education restricts our participation in the Title IV programs, as it did during the period between 2005 and 2007. Current conditions in the credit markets have adversely affected the environment surrounding access to and cost of student loans. The legislative and regulatory environment is also changing, and new federal legislation was recently enacted pursuant to which the Department of Education is authorized to buy Title IV loans and implement a “lender of last resort” program in certain circumstances. See “Risk Factors” and “Regulation — Regulation of Federal Student Financial Aid Programs.” We do not believe these market and regulatory conditions have adversely affected us to date, but we cannot predict whether the new legislation will improve access to Title IV funding or the impact of any of these developments on future performance.

Costs and expenses

Instructional cost and services. Instructional cost and services consist primarily of costs related to the administration and delivery of our educational programs. This expense category includes salaries and benefits for full-time and adjunct faculty and administrative personnel, costs associated with online faculty, information technology costs, curriculum and new program development costs, and costs associated with other support groups that provide service directly to the students. This category also includes an allocation of depreciation, amortization, rent, and occupancy costs attributable to the provision of educational services. Classroom facilities are leased or, in some cases, are provided by the students’ employers at no charge to us. We expect instructional costs and services as a percentage of tuition and other net revenue to continue to decline as we leverage our support services that are in place over a larger tuition and enrollment base.

Selling and promotional. Selling and promotional expenses include salaries and benefits of personnel engaged in the marketing, recruitment, and retention of students, as well as advertising costs associated with purchasing leads, hosting events and seminars, and producing marketing materials. Our selling and promotional expenses are generally affected by the cost of advertising media and leads, the efficiency of our marketing and recruiting efforts, salaries, and benefits for our enrollment personnel, and expenditures on advertising initiatives for new and existing academic programs. This category also includes an allocation of depreciation, amortization, rent, and occupancy costs attributable to selling and promotional activities. Selling and promotional costs are expensed as incurred. As a result of the removal of our growth restrictions in October 2006, we more than quadrupled the number of our enrollment counselors between December 31, 2006 and June 30, 2008 in an effort to increase our recruiting activities and enroll prospective students. We also leased new enrollment centers in Arizona and Utah, and we intend to continue to increase the number of our

enrollment counselors in these centers to increase enrollment and enhance student retention. We incur immediate expenses in connection with hiring new enrollment counselors while these individuals undergo training, and typically do not achieve full productivity or generate enrollments from these enrollment counselors until four to six months after their dates of hire.

Selling and promotional costs also include revenue share arrangements with related parties pursuant to which we pay a percentage of the net revenue that we actually receive from applicants recruited by those entities that matriculate at Grand Canyon University. The related party bears all costs associated with the recruitment of these applicants. For the years ended December 31, 2005, 2006, and 2007, and for the six month periods ended June 30, 2007 and 2008, we expensed approximately \$2.8 million, \$3.7 million, \$4.3 million, \$2.1 million, and \$2.9 million, respectively, pursuant to these arrangements. As we increase our internal recruiting, marketing, and enrollment staff, we expect this revenue share as a proportion of total revenue to decline.

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

Royalty to former owner. In connection with our February 2004 acquisition of the assets of Grand Canyon University by several of our current stockholders, we entered into a royalty fee arrangement with the former owner in which we agreed to pay a stated percentage of cash revenue generated by our online programs. For the years ended December 31, 2005, 2006, and 2007, and for the six month periods ended June 30, 2007 and 2008, we expensed \$1.6 million, \$2.7 million, \$3.8 million, \$1.6 million, and \$1.5 million, respectively, in connection with this arrangement. This arrangement has been terminated, as discussed below.

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

Factors affecting comparability

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

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

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

Settlement with former owner. To resolve a dispute with our former owner arising from our acquisition of Grand Canyon University and subsequent lease of our campus, we entered into a standstill agreement in September 2007 pursuant to which we agreed with the former owner to stay all pending legal proceedings through April 15, 2008. In accordance with the terms of the standstill agreement, we made an initial non-

refundable \$3.0 million payment to the former owner in October 2007 and made an additional \$19.5 million payment to the former owner in April 2008, with these amounts serving as consideration for: (i) the satisfaction in full of all past and future royalties due to the former owner under a royalty agreement; (ii) the acquisition by us of a parcel of real estate owned by the former owner on our campus; (iii) the termination of a sublease agreement pursuant to which the former owner leased office space on our campus; (iv) the assumption by us of all future payment obligations in respect of certain gift annuities made to the school by donors prior to the acquisition; (v) the cancellation of a warrant we issued to the former owner in the lease transaction; and (vi) the satisfaction in full of a \$1.25 million loan made by the former owner to us in the lease transaction (including all accrued and unpaid interest thereon). Most of the amounts payable to the former owner under the royalty arrangement in 2005, and all of the amounts payable in 2006 and 2007, were accrued and not paid due to the dispute. A portion of the settlement payments 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 led by Endeavour Capital, we entered into a professional services agreement with Endeavour Capital's general partner. Concurrent with the closing of this offering, the professional services agreement will terminate by its terms. For the years ended December 31, 2005, 2006, and 2007, and for the six month periods ended June 30, 2007 and 2008, we incurred \$0.1 million, \$0.3 million, \$0.3 million, \$0.1 million, and \$0.2 million, respectively, in fees and expenses under this agreement. In addition, through December 31, 2006, we were party to two additional professional services agreements, one with an entity affiliated with a former director and another affiliated with a significant stockholder, both of which terminated in accordance with their respective terms in 2006. For the years ended December 31, 2005 and 2006, we paid an aggregate of \$0.4 million and \$0.7 million, respectively, under these agreements. See "Certain Relationships and Related Transactions" located elsewhere in this prospectus for additional information.

Stock-based and other executive compensation. Prior to this offering, we have not granted or issued any stock-based compensation. Accordingly, we have not recognized any stock-based compensation expense. Upon the consummation of this offering, we intend to make substantial awards to our directors, officers, and employees, including certain grants to our new Chief Executive Officer and to other employees that will be fully vested upon grant. As a result, we expect to incur non-cash, stock-based compensation expenses in future periods, including expenses of approximately \$9.0 million in the fourth quarter of 2008.

In July 2008, we hired a new Chief Executive Officer, Chief Financial Officer, and Executive Vice President, as well as other financial and accounting personnel. Accordingly, compensation expenses, as reflected in our general and administrative expenses, will be 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 498 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 December 31, 2006, it became probable that Blanchard would earn 100 shares under this agreement associated with the first enrollment threshold and, during the third quarter 2007, those 100 shares were earned due to the enrollment threshold being met. On May 9, 2008, the terms of the agreement were amended, pursuant to which Blanchard was issued a total of 200 shares of common stock in full settlement of all shares owed and contingently owed under this agreement. Thus, an additional 100 shares became earned on that date and 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.

Internal Control Over Financial Reporting

Overview. We have material weaknesses in internal control over financial reporting. In connection with the preparation of our 2005, 2006, and 2007 financial statements, and our financial statements for the six month period ended June 30, 2008, we identified matters involving our internal control over financial reporting that constituted material weaknesses as defined under the standards of the American Institute of Certified Public Accountants and caused us to conclude that there was more than a remote likelihood that a material misstatement of our annual or interim financial statements would not be prevented or detected on a timely basis by our employees in the normal course of performing their assigned functions. We have restated our financial statements as of December 31, 2006 and 2007 and for the years ended December 31, 2005, 2006, and 2007. See Note 3, “Restatement of Financial Statements,” to our financial statements, which are included elsewhere in this prospectus.

Material weaknesses. In connection with the preparation of our 2005, 2006, and 2007 financial statements, and our financial statements for the six month period ended June 30, 2008, we identified errors regarding our accounting for the following transactions:

- In connection with our formation in February 2004, an entity owned in part by our Executive Chairman and our General Counsel contributed certain intangible assets to us, and we improperly recorded these contributed assets at our estimate of their fair value rather than at their carryover basis.
- In connection with our acquisition of Grand Canyon University from the former owner in February 2004, we improperly accounted for a perpetual royalty arrangement between us and the former owner as goodwill rather than as a current period expense. Later, in connection with a settlement agreement we entered into with the former owner in 2007 that provided for a termination of this royalty arrangement, we improperly accounted for a partial settlement payment as a current period expense rather than as a prepaid royalty subject to amortization.
- In connection with our entry into a lease agreement for our ground campus and buildings in June 2004, we improperly accounted for the arrangement as an operating lease rather than accounting for certain components of the lease as a capital lease.
- In all periods, we failed to properly account for the issuance of certain common stock and equity linked instruments to third parties.
- During the six month period ended June 30, 2008, we concluded that a significant increase in our allowance for doubtful accounts was required. A portion of the increase has been determined to be the correction of an error from prior periods and thus the accompanying financial statements have been restated to reflect this increase.
- We failed to properly account for deferred taxes at the date of conversion from a limited liability company to a corporation.

We believe that certain of the control deficiencies related to these errors constitute material weaknesses in our internal control over financial reporting. Such material weaknesses related to our lack of processes and controls that would ensure the proper recording of assets, expenses, leases, and equity instruments in accordance with GAAP.

Management is committed to remediating the control deficiencies that constitute the material weaknesses described herein by implementing changes to our internal control over financial reporting. We have implemented a number of significant changes and improvements in our internal control over financial reporting during the second and third quarters of fiscal year 2008. Our Chief Financial Officer has taken responsibility for implementing changes and improvements in the internal control over financial reporting and

remediate the control deficiencies that gave rise to the material weaknesses. Specifically, these changes include:

- engaging a new Chief Financial Officer and hiring additional financial and accounting personnel, all of whom have experience managing or working in the corporate accounting department of a large publicly traded education company;
- making numerous process changes in the financial reporting area, including additional oversight and review; and
- conducting training of our accounting staff for purposes of enabling them to recognize and properly account for transactions of the type described above.

Management plans to continue to implement further changes and improvements during the remainder of the current fiscal year. We cannot assure you that the measures we have taken to date and plan to take will remediate the material weaknesses we have identified. Our current independent registered public accounting firm has not evaluated the measures we have taken or plan to take in order to address the material weaknesses described above.

Critical Accounting Policies and Estimates

The discussion of our financial condition and results of operations is based upon our financial statements, which have been prepared in accordance with U.S. generally accepted accounting principles, or GAAP. During the preparation of these financial statements, we are required to make estimates and assumptions that affect the reported amounts of assets, liabilities, revenues, costs and expenses, and related disclosures. On an ongoing basis, we evaluate our estimates and assumptions, including those discussed below. We base our estimates on historical experience and on various other assumptions that we believe are reasonable under the circumstances. The results of our analysis form the basis for making assumptions about the carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates under different assumptions or conditions, and the impact of such differences may be material to our financial statements.

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

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

Allowance for doubtful accounts. Bad debt expense is recorded as a general and administrative expense. We record an allowance for doubtful accounts for estimated losses resulting from the inability, failure, or refusal of our students to make required payments. We determine the adequacy of our allowance for doubtful accounts based on an analysis of our aging of our accounts receivable and historical bad debt experience. We generally write off accounts receivable balances deemed uncollectible at the time the account is returned by an outside collection agency. However, we continue to reflect accounts receivable with offsetting allowances as long as management believes there is a reasonable possibility of collection. As a result, our allowance for doubtful accounts has increased on an annual basis as bad debt expense has exceeded amounts written off. During the second half of 2008, we expect to begin to write off existing and new doubtful accounts no later than one year after the revenue is generated, which will likely result in a significant

reduction in our accounts receivable and related allowances. We believe our reserves are adequate to cover any write offs we may make.

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

Income taxes. On August 24, 2005, we converted from a limited liability company to a corporation. For all periods subsequent to such date, we have been and will continue to be subject to corporate-level U.S. federal and state income taxes. Effective January 1, 2008, we adopted FASB Interpretation No. 48, *Accounting for Uncertainty in Income Taxes* ("FIN 48"). FIN 48 prescribes a more-likely-than-not threshold for financial statement recognition and measurement of a tax position taken or expected to be taken in a tax return. We account for income taxes as prescribed by Statement of Financial Accounting Standards ("SFAS") No. 109, *Accounting for Income Taxes* ("SFAS No. 109"). SFAS No. 109 prescribes the use of the asset and liability method to compute the differences between the tax basis of assets and liabilities and the related financial amounts using currently enacted tax laws. We have deferred tax assets, which are subject to periodic recoverability assessments. Valuation allowances are established, when necessary, to reduce deferred tax assets to the amount that more likely than not will be realized. Realization of the deferred tax assets is principally dependent upon achievement of projected future taxable income offset by deferred tax liabilities. We evaluate the realizability of the deferred tax assets annually. Since becoming a taxable corporation, we have not recorded any valuation allowances to date on our deferred income tax assets.

Results of Operations

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

	Year Ended December 31,			Six Months Ended June 30,	
	2005	2006 (Restated)(1)	2007	2007 (Unaudited)	2008
Net revenue	100.0%	100.0%	100.0%	100.0%	100.0%
Operating expenses					
Instructional cost and services	54.2	43.4	39.3	39.8	34.2
Selling and promotional	27.1	27.9	35.4	32.2	39.1
General and administrative	25.0	20.8	17.1	19.0	15.6
Royalty to former owner	3.2	3.7	3.8	3.7	2.1
Total operating expenses	109.5	95.8	95.6	94.7	91.0
Operating income (loss)	(9.5)	4.2	4.4	5.3	9.0
Interest expense	(5.9)	(3.9)	(3.0)	(3.5)	(2.1)
Interest income	0.5	1.2	1.2	1.6	0.6
Income (loss) before income taxes	(14.9)	1.5	2.6	3.4	7.5
Income tax expense (benefit)	(6.6)	0.7	1.0	1.4	2.9
Net income (loss)	(8.3)	0.8	1.6	2.0	4.6

(1) Our financial statements at December 31, 2006 and 2007 and for each of the three years in the period ended December 31, 2007 have been restated. See Note 3, "Restatement of Financial Statements," included in our financial statements, which are presented elsewhere in this prospectus.

Six Months Ended June 30, 2008 Compared to Six Months Ended June 30, 2007

Net revenue. Our net revenue for the six months ended June 30, 2008 was \$70.3 million, an increase of \$26.2 million, or 59.5%, as compared to net revenue of \$44.1 million for the six months ended June 30, 2007. This increase was primarily due to increased 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 59.8% between June 30, 2007 and 2008, as we were able to continue our growth and increase our recruitment, marketing, and enrollment operations following the elimination of the Department of Education's growth restrictions in October 2006.

Instructional cost and services expenses. Our instructional cost and services expenses for the six months ended June 30, 2008 were \$24.0 million, an increase of \$6.4 million, or 36.9%, as compared to instructional cost and services expenses of \$17.6 million for the six months ended June 30, 2007. This increase was primarily due to increases in instructional compensation and related expenses, faculty compensation, depreciation and amortization, and other miscellaneous instructional costs and services of \$2.4 million, \$1.8 million, \$0.7 million, and \$1.2 million, respectively. These increases are all attributable to the increased headcount (both staff and faculty) needed to provide student instruction and support services we consider necessary as a result of the increase in enrollments. Our instructional cost and services expenses as a percentage of net revenue decreased by 5.6% to 34.2% for the six months ended June 30, 2008, as compared to 39.8% for the six months ended June 30, 2007. This decrease was a result of the continued shift of our student population to online programs and our ability to leverage the relatively fixed cost structure of our campus-based facilities and ground faculty across an increasing revenue base.

Selling and promotional expenses. Our selling and promotional expenses for the six months ended June 30, 2008 were \$27.5 million, an increase of \$13.3 million, or 93.7%, as compared to selling and promotional expenses of \$14.2 million for the six months ended June 30, 2007. This increase was primarily due to increases in selling and promotional employee compensation and related expenses, advertising, revenue sharing expense, and other selling and promotional costs of \$8.2 million, \$3.5 million, \$0.9 million, and \$0.6 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, the opening of new enrollment facilities in Arizona and Utah, and expenses related to our revenue sharing arrangement. Our selling and promotional expenses as a percentage of net revenue increased by 6.9% to 39.1% for the six months ended June 30, 2008, from 32.2% for the six months ended June 30, 2007. This increase occurred as a result of a significant increase in the number of our enrollment counselors to increase our efforts to enroll prospective students and also increased marketing and retention staffing. In this regard, we incur immediate expenses in connection with hiring new enrollment counselors while these individuals undergo training, and typically do not achieve full productivity or generate enrollments from these enrollment counselors until four to six months after their dates of hire. 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 should decrease, and we therefore plan 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, 2008 were \$11.0 million, an increase of \$2.6 million, or 30.8%, as compared to general and administrative expenses of \$8.4 million for the six months ended June 30, 2007. This increase was primarily due to increases in bad debt expense; legal, audit, and corporate insurance; and other general and administrative expenses of \$0.9 million, \$0.8 million, and \$0.8 million, respectively. Bad debt expense increased to \$4.1 million for the six months ended June 30, 2008 from \$3.2 million for the six months ended June 30, 2007 as a result of a proportional increase in net revenue. The increase in legal, audit, and corporate insurance is primarily related to legal costs associated with the Sungard matter, which went to arbitration in the second quarter of fiscal 2008. See "Business — Legal Proceedings." The other general and administrative expense increase was attributable to expenditures made to continue to support the growth of our business. Our general and administrative expenses as a percentage of net revenue decreased by 3.4% to 15.6% for the six months ended June 30, 2008, from 19.0% for the six months ended June 30, 2007, primarily due to a decrease in our bad debt expense and employee compensation and related benefits as a percentage of revenue between

periods from 7.2% and 4.7% of revenue during the first six months of 2007, respectively, to 5.8% and 3.0% of revenue during the first six months of 2008, respectively. The improvement in bad debt expense as a percentage of revenue is primarily due to an improvement in our aging between periods and an increased revenue base. The decrease in employee compensation and related benefits as a percentage of revenue is the result of us leveraging our current staffing over a larger revenue base.

Royalty to former owner. In connection with our royalty fee arrangement with the former owner related to online revenue, we incurred royalty expenses for the six months ended June 30, 2008 of \$1.5 million, a decrease of \$0.1 million, or 8.7%, as compared to royalty expenses incurred of \$1.6 million for the six months ended June 30, 2007 as a result of the elimination of the obligation to pay royalties to the former owner effective April 15, 2008. In the future the only expense that will be recorded will be the 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 2.1% for the six months ended June 30, 2008 from 3.7% for the six months ended June 30, 2007.

Interest expense. Our interest expense for both the six month periods ended June 30, 2008 and 2007 was \$1.5 million as the average level of borrowings remained fairly consistent between periods.

Interest income. Our interest income for the six months ended June 30, 2008 was \$0.4 million, a decrease of \$0.3 million from \$0.7 million for the six months ended June 30, 2007, as a result of decreased levels of cash and cash equivalents.

Income tax expense. Income tax expense for the six months ended June 30, 2008 was \$2.0 million, an increase of \$1.4 million from \$0.6 million for the six months ended June 30, 2007. This increase was primarily attributable to increased income before income taxes, partially offset by a slight decrease in our effective income tax rate to 38.6% from 40.0%.

Net income. Our net income for the six months ended June 30, 2008 was \$3.2 million, an increase of \$2.3 million, or 257.8%, as compared to net income of \$0.9 million for the six months ended June 30, 2007, due to the factors discussed above.

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

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

Instructional cost and services expenses. Our instructional cost and services expenses for the year ended December 31, 2007 were \$39.1 million, an increase of \$7.8 million, or 24.8%, as compared to instructional cost and services expenses of \$31.3 million for the year ended December 31, 2006. This increase was primarily due to increases in instructional compensation expense and student support services as a result of the increase in enrollments and the addition of certain academic support services, such as the establishment of our Office of Assessment and Institutional Research. Our instructional cost and services expenses as a percentage of net revenue decreased by 4.1% to 39.3% for the year ended December 31, 2007, as compared to 43.4% for the year ended December 31, 2006. This decrease was a result of the continued shift of our student population to online programs and our ability to leverage the relatively fixed cost structure of our campus-based facilities and ground faculty across an increasing revenue base.

Selling and promotional expenses. Our selling and promotional expenses for the year ended December 31, 2007 were \$35.1 million, an increase of \$15.1 million, or 74.9%, as compared to selling and promotional expenses of \$20.1 million for the year ended December 31, 2006. This increase was driven by a

substantial expansion in our marketing efforts following the removal of our growth restrictions by the Department of Education, which resulted in an increase in recruitment, marketing, and enrollment staffing, the opening of new enrollment facilities in Arizona and Utah, and expenses related to our revenue sharing arrangement. Our selling and promotional expenses as a percentage of net revenue increased by 7.5% to 35.4% for the year ended December 31, 2007, from 27.9% for the year ended December 31, 2006. This increase occurred as a result of a significant increase in the number of our enrollment counselors to increase our efforts to enroll prospective students and also increased marketing and retention staffing. In this regard, we incur immediate expenses in connection with hiring new enrollment counselors while these individuals undergo training, and typically do not achieve full productivity or generate enrollments from these enrollment counselors until four to six months after their dates of hire.

General and administrative expenses. Our general and administrative expenses for the year ended December 31, 2007 were \$17.0 million, an increase of \$2.0 million, or 13.3%, as compared to general and administrative expenses of \$15.0 million for the year ended December 31, 2006. Bad debt expense increased to \$6.3 million for the year ended December 31, 2007 from \$4.7 million for the year ended December 31, 2006 primarily as a result of a proportional increase in net revenue. The general and administrative expense increase was also attributable to expenditures made to continue to support the growth of our business. Our general and administrative expenses as a percentage of net revenue decreased by 3.7% to 17.1% for the year ended December 31, 2007, from 20.8% for the year ended December 31, 2006, as we benefited from leveraging our prior infrastructure investments over a larger enrollment and revenue base.

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

Interest expense. Interest expense for the year ended December 31, 2007 was \$3.0 million, an increase of \$0.2 million, from \$2.8 million for the year ended December 31, 2006 due to a higher average level of borrowings in 2007.

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

Income tax expense. Income tax expense for the year ended December 31, 2007 was \$1.0 million, an increase of \$0.5 million, or 92.1%, from \$0.5 million for the year ended December 31, 2006. This increase was primarily attributable to increased income before income taxes, partially offset by a decrease in our effective income tax rate to 40.0% from 46.9%.

Net income. Our net income for the year ended December 31, 2007 was \$1.5 million, an increase of \$0.9 million, or 155.2%, as compared to net income of \$0.6 million for the year ended December 31, 2006, due to the factors discussed above.

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

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

Instruction cost and services expenses. Our instructional cost and services expenses for the year ended December 31, 2006 were \$31.3 million, an increase of \$3.2 million, or 11.5%, as compared to instructional cost and services expenses of \$28.1 million for the year ended December 31, 2005. This increase was primarily due to increases in instructional compensation expense and student support services as a result of the increase in enrollments. Our instructional cost and services expenses as a percentage of net revenue decreased by 10.8% to 43.4% for the year ended December 31, 2006, as compared to 54.2% for the year ended December 31, 2005. This decrease in 2006 was a result of the continued shift of our student population to online programs, our ability to leverage the relatively fixed cost structure of our campus-based facilities and ground faculty across an increasing revenue base, and more efficient course scheduling and faculty utilization.

Selling and promotional expenses. Our selling and promotional expenses for the year ended December 31, 2006 were \$20.1 million, an increase of \$6.0 million, or 43.0%, as compared to selling and promotional expenses of \$14.0 million for the year ended December 31, 2005. As a percentage of net revenue, our selling and promotional expenses remained relatively steady for the years ended December 31, 2006 and 2005, increasing to 27.9% from 27.1%.

General and administrative expenses. Our general and administrative expenses for the year ended December 31, 2006 were \$15.0 million, an increase of \$2.0 million, or 15.8%, as compared to general and administrative expenses of \$13.0 million for the year ended December 31, 2005. Bad debt expense increased to \$4.7 million for the year ended December 31, 2006 from \$2.6 million for the year ended December 31, 2005 due to an increase in net revenue and management's assessment of our rapidly growing student base and changes in payment trends. Our general and administrative expenses as a percentage of net revenue decreased by 4.2% to 20.8% for the year ended December 31, 2006, from 25.0% for the year ended December 31, 2005, as we benefited from leveraging our prior infrastructure investments over a larger enrollment and revenue base.

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

Interest expense. Interest expense for the year ended December 31, 2006 was \$2.8 million, a decrease of \$0.3 million, or 8.7%, from \$3.1 million for the year ended December 31, 2005. The decrease was primarily due to a lower average level of borrowings in 2006.

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

Income tax expense (benefit). Income tax expense for the year ended December 31, 2006 was \$0.5 million, an increase of \$4.0 million from income tax benefit of \$3.4 million for the year ended December 31, 2005. This increase was primarily attributable to our net income before income taxes and a change in our effective income tax rate to 46.9% from 44.5%.

Net income (loss). Our net income for the year ended December 31, 2006 was \$0.6 million, an increase of \$4.9 million as compared to net loss of \$4.3 million for the year ended December 31, 2006 due to the factors discussed above.

Quarterly Results and Seasonality

The following tables set forth certain unaudited financial and operating data in the first and second quarters of 2008 and each quarter during the years ended December 31, 2006 and 2007. We believe that the unaudited information reflects all adjustments, which include only normal and recurring adjustments, necessary to present fairly the information below.

	First Quarter	Second Quarter (In thousands, except enrollment data) (unaudited) (restated)	Third Quarter	Fourth Quarter
2006				
Net revenue	\$ 16,695	\$ 16,009	\$ 17,580	\$ 21,827
Costs and expenses:				
Instructional costs and services	7,545	7,154	7,540	9,048
Selling and promotional	4,449	4,515	5,376	5,753
General and administrative	3,215	3,645	3,645	4,506
Royalty to former owner	438	387	1,354	499
Total costs and expenses	15,647	15,701	17,915	19,806
Operating income (loss)	1,048	308	(335)	2,021
Net interest expense	(215)	(499)	(317)	(884)
Income (loss) before income taxes	833	(191)	(652)	1,137
Income tax expense (benefit)	391	(90)	(306)	534
Net income (loss)	<u>\$ 442</u>	<u>\$ (101)</u>	<u>\$ (346)</u>	<u>\$ 603</u>
Period end enrollment	9,088	8,137	10,217	10,662
2007				
Net revenue	\$ 23,213	\$ 20,858	\$ 24,401	\$ 30,854
Costs and expenses:				
Instructional costs and services	8,845	8,710	9,976	11,519
Selling and promotional	6,008	8,178	10,105	10,857
General and administrative	3,614	4,763	3,471	5,153
Royalty to former owner	607	1,022	956	1,197
Total costs and expenses	19,074	22,673	24,508	28,726
Operating income (loss)	4,139	(1,815)	(107)	2,128
Net interest expense	(448)	(375)	(526)	(454)
Income (loss) before income taxes	3,691	(2,190)	(633)	1,674
Income tax expense (benefit)	1,475	(875)	(253)	669
Net income (loss)	<u>\$ 2,216</u>	<u>\$ (1,315)</u>	<u>\$ (380)</u>	<u>\$ 1,005</u>
Period end enrollment	11,397	10,332	13,448	14,754
2008				
Net revenue	\$ 35,709	\$ 34,566		
Costs and expenses:				
Instructional costs and services	11,620	12,408		
Selling and promotional	12,586	14,887		
General and administrative	4,541	6,419		
Royalty to former owner	1,022	466		
Total costs and expenses	29,769	34,180		
Operating income	5,940	386		
Net interest expense	(560)	(515)		
Income (loss) before income taxes	5,380	(129)		
Income tax expense (benefit)	2,076	(49)		
Net income (loss)	<u>\$ 3,304</u>	<u>\$ (80)</u>		
Period end enrollment	17,486	16,510		

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 ground students do not attend courses during the summer months (June through August), which affects our results for our second and third fiscal quarters. Because a significant amount of our campus costs are fixed, the lower revenue resulting from the decreased 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 fluctuations in net revenue, resulting in higher operating income in the first and fourth quarters relative to other quarters. We expect quarterly fluctuations in operating results to continue as a result of these seasonal patterns.

Liquidity and Capital Resources

Liquidity. We financed our operating activities and capital expenditures during the years ended December 31, 2005, 2006, and 2007 and the first six months of 2008 primarily through cash provided by operating activities and several private placements of securities. Our unrestricted cash, cash equivalents, and marketable securities were \$14.4 million, \$23.2 million, and \$7.2 million at December 31, 2006 and 2007 and June 30, 2008, respectively.

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

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

Based on our current level of operations and anticipated growth, we believe that our cash flow from operations and other sources of liquidity, including cash, and cash equivalents, will provide adequate funds for ongoing operations, planned capital expenditures, and working capital requirements for at least the next 24 months.

Operating Activities. Net cash used by operating activities for the six months ended June 30, 2008 was \$1.3 million. This reduction from the cash provided by operating activities during the year ended December 31, 2007 is due to the payment of \$19.5 million made to our former owner in April 2008 to satisfy in full all past royalties due under the royalty agreement and the elimination of the existing obligation to pay royalties for online student revenues in perpetuity. Excluding this payment, net cash provided by operating activities for the six months ended June 30, 2008 would have been \$11.0 million. Net cash provided by operating activities for the year ended December 31, 2007 was \$7.1 million. Our operating cash flows were affected by our dispute with our former owner; as previously discussed, during 2007 we accrued \$3.8 million of royalties payable to our former owner and funded a \$3.0 million deposit in connection with a preliminary settlement of that dispute with our former owner. Excluding the accrual and payment to our former owner, net

cash provided by operating activities would have been \$6.3 million. Our tax payments exceeded our tax expense as our \$5.0 million of income taxes paid represented a majority of our 2006 and 2007 tax obligations.

Net cash provided by operating activities for the year ended December 31, 2006 was \$6.8 million. As previously discussed, we accrued \$2.7 million of royalties payable to our former owner during fiscal year 2006. Excluding the accrued royalties to our former owner, net cash provided by operating activities would have been \$4.1 million. Our tax expense exceeded our income taxes paid as a significant portion of our income tax payable for fiscal year 2006 was paid in early 2007.

Net cash used in operating activities for the year ended December 31, 2005 was \$7.0 million which was primarily driven by our net loss. During the period, we accrued \$1.0 million of royalties payable to our former owner. Excluding the accrued royalties to our former owner, net cash used in operating activities would have been \$8.0 million.

Investing Activities. Net cash provided by (used in) investing activities was \$(10.0) million, \$6.7 million, and \$(7.6) million for the years ended December 31, 2005, 2006, and 2007, respectively, and \$(4.0) million for the six months ended June 30, 2008. Our cash used in investing activities is primarily related to the purchase of property, plant, and equipment and leasehold improvements. In 2005, we purchased \$9.2 million of investments related to a letter of credit required by the Department of Education and associated with our growth restrictions. This letter of credit was released in 2006, resulting in investment proceeds of \$9.0 million. Capital expenditures were \$0.8 million, \$2.4 million and \$7.4 million for the years ended December 31, 2005, 2006, and 2007, respectively, and \$4.0 million for the six months ended June 30, 2008. A majority of our historical capital expenditures are related to our ground campus in Phoenix, Arizona. Our online business does not require significant capital expenditures and we expect capital expenditures to represent a decreasing percentage of net revenue in the future. However, we will continue to invest in computer equipment and office furniture and fixtures to support our increasing employee headcounts.

Financing Activities. Net cash provided by (used in) financing activities was \$16.0 million, \$(1.7) million, and \$9.3 million for the years ended December 31, 2005, 2006, and 2007, respectively, and \$(10.7) million for the six months ended June 30, 2008. During these periods, principal payments on notes payable, capital lease obligations and our line of credit were offset by private placements of securities by our stockholders and amounts drawn on our line of credit. Net cash used in financing activities for the six months ended June 30, 2008 also included the \$6.0 million related to the repurchase of a warrant from our former owner pursuant to the standstill agreement.

Contractual Obligations

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

	Total	Payments Due by Period			
		Less than 1 Year	Years 2-3	Years 4-5	More than 5 Years
Long term debt ⁽¹⁾	\$ 2.4	\$ 0.6	\$ 1.3	\$ 0.5	\$ 0.0
Capital lease obligations ⁽¹⁾	52.5	3.7	7.0	6.8	35.0
Tenant improvement obligations ⁽¹⁾	2.3	—	2.3	—	—
Operating lease obligations ⁽²⁾	30.4	2.2	4.2	3.7	20.3
Total contractual obligations	\$ 87.6	\$ 6.5	\$ 14.8	\$ 11.0	\$ 55.3

(1) See Note 8, “Notes Payable and Capital Lease Obligations,” to our financial statements, which are included elsewhere in this prospectus, for a discussion of our long term debt and capital lease obligations.

(2) See Note 9, “Commitments and Contingencies,” to our financial statements, which are included elsewhere in this prospectus, for a discussion of our operating lease obligations.

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

Off-Balance Sheet Arrangements

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

Impact of Inflation

We believe that inflation has not had a material impact on our results of operations for the years ended December 31, 2005, 2006, or 2007 and the six months ended June 30, 2008. There can be no assurance that future inflation will not have an adverse impact on our operating results and financial condition.

Non-GAAP Discussion

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

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

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

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

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

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

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

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

	Year Ended December 31,			Six Months Ended June 30,	
	2005	2006 Restated(a)	2007	2007 (Unaudited)	2008
	(In thousands)				
Net income (loss)	\$ (4,286)	\$ 598	\$ 1,526	\$ 901	\$ 3,224
Plus: interest expense net of interest income	2,822	1,915	1,803	823	1,075
Plus: income tax expense (benefit)	(3,440)	529	1,016	600	2,027
Plus: depreciation and amortization	1,879	2,396	3,300	1,473	2,269
EBITDA	(3,025)	5,438	7,645	3,797	8,595
Plus: royalty to former owner(b)	1,619	2,678	3,782	1,629	1,488
Plus: management fees and expenses(c)	511	958	296	125	211
Adjusted EBITDA	\$ (895)	\$ 9,074	\$ 11,723	\$ 5,551	\$ 10,294

- (a) Our financial statements at December 31, 2006 and 2007 and for each of the three years in the period ended December 31, 2007 have been restated. See Note 3, "Restatement of Financial Statements" in our financial statements that are included elsewhere in this prospectus.
- (b) Reflects the royalty fee arrangement with the former owner of Grand Canyon University in which we agreed to pay a stated percentage of cash revenue generated by our online programs. As a result of the settlement of a dispute with the former owner, we are no longer obligated to pay this royalty, although the settlement includes a prepayment of future royalties that will be amortized in 2008 and future periods. See Note 2 to our financial statements included with this prospectus.
- (c) Reflects management fees and expenses of \$0.1 million, \$0.3 million, and \$0.3 million for the years ended December 31, 2005, 2006, and 2007, respectively, and \$0.1 million and \$0.2 million for the six month periods ended June 30, 2007 and 2008, respectively, to the general partner of Endeavour Capital, and an aggregate of \$0.4 million and \$0.7 million for the years ended December 31, 2005 and 2006, respectively, to an entity affiliated with a former director and another affiliated with a significant stockholder following their investment in us. The agreements relating to these arrangements have all terminated or will terminate by their terms upon the closing of this offering. See "Certain Relationships and Related Transactions."

To date, we have not granted or issued any stock-based compensation. We have adopted and implemented a stock incentive plan pursuant to which we will periodically grant awards to our directors, officers, employees, and other eligible participants. Upon the consummation of this offering and pursuant to this plan, we intend to make substantial awards to our new Chief Executive Officer and to other employees, a significant portion of which will be fully vested upon grant. As a result, we expect to incur non-cash, stock-based

compensation expenses in future periods, including expenses of approximately \$10 million in the second half of 2008. Although we believe that equity-plan related compensation will be a key element of our employee relations and long-term incentives, we intend to exclude it as an expense when evaluating our core operating performance in any particular period. Accordingly, following this offering, we intend to include stock-based compensation expenses, along with management fees and expenses, royalty expenses to our former owner, and any other expenses and income that we do not consider reflective of our core operating performance, as adjustments when calculating Adjusted EBITDA.

Quantitative and Qualitative Disclosure About Risk

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

Interest rate risk. We manage interest rate risk by investing excess funds in cash equivalents and marketable securities bearing variable interest rates, which are tied to various market indices. Our future investment income may fall short of expectations due to changes in interest rates or we may suffer losses in principal if we are forced to sell securities that have declined in market value due to changes in interest rates. At December 31, 2007 and June 30, 2008, a 10% increase or decrease in interest rates would not have a material impact on our future earnings, fair values, or cash flows. All of our notes payable and capital lease obligations are fixed rate instruments and are not subject to fluctuations in interest rates.

Recent Accounting Pronouncements

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

In September 2006, the FASB issued SFAS No. 157, *Fair Value Measurements* (“SFAS No. 157”) which provides enhanced guidance for using fair value to measure assets and liabilities. SFAS No. 157 establishes a common definition of fair value, provides a framework for measuring fair value under GAAP and expands disclosure requirements about fair value measurements. SFAS No. 157 is effective for financial statements issued in fiscal years beginning after November 15, 2007, and interim periods within those fiscal years. We adopted SFAS No. 157 on January 1, 2008, and its adoption did not will have a material impact on our financial position or results of operations.

In February 2007, the FASB issued SFAS No. 159, *The Fair Value Option for Financial Assets and Financial Liabilities Including an Amendment of FASB Statement No. 115* (“SFAS No. 159”). This standard permits entities to choose to measure financial instruments and certain other items at fair value and is effective for the first fiscal year beginning after November 15, 2007. SFAS No. 159 must be applied prospectively, and the effect of the first re-measurement to fair value, if any, should be reported as a cumulative - effect adjustment to the opening balance of retained earnings. We adopted of SFAS No. 159 on January 1, 2008 and its adoption did not have a material impact on our financial position or results of operations.

BUSINESS

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. We are committed to providing an academically rigorous educational experience with a focus on career-oriented programs that meet the objectives of working adults. We utilize an integrated, innovative approach to marketing, recruiting, and retaining students, which has enabled us to increase enrollment from approximately 3,000 students at the end of 2003 to approximately 16,500 students at June 30, 2008, representing a compound annual growth rate of approximately 46%. At December 31, 2007, our enrollment was approximately 14,800, 85% of our students were enrolled in our online programs, and 62% of our students were pursuing master's degrees.

Our three core disciplines of education, business, and healthcare represent large markets with attractive employment opportunities. According to a March 2008 report from the U.S. Department of Education, National Center for Education Statistics, or NCES, these disciplines ranked as three of the four most popular fields of postsecondary education, based on degrees conferred in the 2005-06 school year. The U.S. Department of Labor Bureau of Labor Statistics, or BLS, estimated in its 2008-09 Career Guide that these fields comprised over 40 million jobs in 2006, many of which require postsecondary education credentials. Furthermore, the BLS has projected that the education, business, and healthcare fields will generate approximately six million new jobs between 2006 and 2016.

We primarily focus on recruiting and educating working adults, whom we define as students age 25 or older who are pursuing a degree while employed. As of June 30, 2008, approximately 92% of our online students were age 25 or older. We believe that working adults are attracted to the convenience and flexibility of our online programs because they can study and interact with faculty and classmates during times that suit their schedules. We also believe that working adults represent an attractive student population because they are better able to finance their education, more readily recognize the benefits of a postsecondary degree, and have higher persistence and completion rates than students generally.

We have experienced significant growth in enrollment, net revenue, and operating income over the last several years. Our enrollment at December 31, 2007 was approximately 14,800, representing an increase of approximately 38% over our enrollment at December 31, 2006. Our net revenue and operating income for the year ended December 31, 2007 were \$99.3 million and \$4.3 million, respectively, representing increases of 37.7% and 42.8%, respectively, over the year ended December 31, 2006. Our enrollment at June 30, 2008 was approximately 16,500, representing an increase of approximately 60% over our enrollment at June 30, 2007. Our net revenue and operating income for the six months ended June 30, 2008 were \$70.3 million and \$6.3 million, respectively, representing increases of 59.5% and 172.2%, respectively, over the six months ended June 30, 2007. We believe our growth is the result of a combination of factors, including our:

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

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

We have been regionally accredited by the Higher Learning Commission and its predecessor since 1968, and we were reaccredited in 2007 for the maximum term of ten years. We are regulated by the Department of Education as a result of our participation in the federal student financial aid programs authorized by Title IV of the Higher Education Act, and, at the state level, we are licensed to operate and offer our programs by the

Arizona State Board for Private Postsecondary Education. In addition, we have specialized accreditations for certain programs from the Association of Collegiate Business Schools and Programs, the Commission on Collegiate Nursing Education, and the Commission on Accreditation of Athletic Training Education. We believe that our institution-wide state authorization and regional accreditation, together with these specialized accreditations, reflect the quality of our programs, enhance their marketability, and improve the employability of our graduates.

History

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

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

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

Industry

Postsecondary education. The United States market for postsecondary education represents a large and growing opportunity. According to the March 2008 NCES report, total revenue for all degree-granting postsecondary institutions was over \$385 billion for the 2004-05 school year. In addition, according to a September 2008 NCES report, the number of students enrolled in postsecondary institutions was projected to be approximately 18.0 million in 2007 and the number was projected to grow to 18.6 million by 2010. We believe that future growth in this market will be driven, in part, by an increasing number of job openings in occupations that require bachelor's or master's degrees. A November 2007 report based on BLS data has projected the number of such jobs to grow approximately 17% and 19%, respectively, between 2006 and 2016, or nearly double the growth rate the BLS projects for occupations that do not require postsecondary degrees. Moreover, individuals with a postsecondary degree are able to obtain a significant wage premium relative to

individuals without a degree. According to the U.S. Census Bureau, in 2006, the median income for individuals age 25 years or older with a bachelor's or master's degree was approximately 70% or 102% higher, respectively, than for a high school graduate of the same age with no college education.

According to the March 2008 NCES report, as of 2007 71% of adults age 25 years or older did not possess a bachelor's or higher degree. In the September 2008 report, the NCES estimated that, as of 2006, adults age 25 years or older represented 39% of total U.S. postsecondary enrollments, or approximately 6.9 million students. We believe many of these students are pursuing a postsecondary degree while employed in order to increase their compensation or enhance their opportunities for career advancement, often with their current employer. We further believe that working adult students represent an attractive student population because they are better able to finance their education, more readily recognize the benefits of a postsecondary degree, and have higher persistence and completion rates than students generally. We expect that adults age 25 years or older will continue to represent a large and growing segment of the postsecondary education market.

Online postsecondary education. The market for online postsecondary education is growing more rapidly than the overall postsecondary market. A 2007 study by Eduventures, LLC, an education consulting and research firm, projected that from 2002 to 2007 enrollment in online postsecondary programs increased from approximately 0.5 million to approximately 1.8 million, representing a compound annual growth rate of approximately 30.4%. In comparison, in September 2008 the NCES projected a compound annual growth rate of 1.6% in enrollment in postsecondary programs overall during the same period. We believe this growth has been driven by a number of factors, including the greater convenience and flexibility of online programs as compared to ground-based programs and the increased acceptance of online programs among academics and employers. According to a 2006 survey by the Sloan Consortium, a trade group focused on online education, 79.1% of chief academic officers surveyed at institutions with 15,000 or more students, most of which offer online programs, and 61.9% of all chief academic officers surveyed, believe that online learning outcomes are equal or superior to traditional face-to-face instruction.

Education, business, and healthcare. The education, business, and healthcare sectors represent a large and growing market for postsecondary education. According to the March 2008 NCES report, these fields ranked as three of the four most popular fields of postsecondary education, based on degrees conferred in the 2005-06 school year. We believe the popularity of these fields is driven by the number and growth of employment opportunities. According to its 2008-09 Career Guide, the BLS estimates that in 2006 these three fields employed more than 40 million people in jobs that often require a postsecondary degree. Furthermore, the BLS has projected that these sectors will generate approximately six million incremental jobs between 2006 and 2016, not including job openings resulting from natural attrition. We believe there is a significant opportunity for education providers that focus on offering students a career-focused education in sectors of the workforce with strong job prospects, particularly where demand for employees is growing but supply is limited. In a 2007 report, the BLS stated that:

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

Competitive Strengths

We believe we have the following competitive strengths:

Established presence in targeted, high demand disciplines. We have an established presence within our three core disciplines of education, business, and healthcare, which, according to the March 2008 NCES report, ranked as three of the four most popular fields of postsecondary education, based on degrees conferred in the 2005-06 school year. We offer our students career-oriented, academically rigorous educational programs, supported by specialized courses within their select disciplines, which enable them to advance their career prospects in these sectors. We seek to leverage our historical presence in these disciplines with key branding relationships, such as our relationship with business author and industry leader Ken Blanchard, to differentiate our reputation in the market place. We believe our focused approach enables us to develop our academic reputation and brand identity within our core disciplines, recruit and retain quality faculty and staff members, and meet the educational and career objectives of our students.

Focus on graduate degrees for working adults. We have designed our program offerings and our online delivery platform to meet the needs of working adults, particularly those seeking graduate degrees to obtain pay increases or job promotions that are directly tied to higher educational attainment. We believe that working adults are attracted to the convenience and flexibility of our online delivery platform because they can study and interact with faculty and classmates during times that suit their schedules. We also believe that working adults represent an attractive student population because they are better able to finance their education, more readily recognize the benefits of a postsecondary degree, and have higher persistence and completion rates than students generally. At June 30, 2008, approximately 63.3% of our online students were enrolled in graduate degree programs.

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

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

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

Experienced executive management team with strong operating track-record. Our executive management team possesses extensive experience in the management and operation of publicly-traded for-profit, postsecondary education companies, as well as other educational services businesses, including in the areas of marketing to, recruiting, and retaining students pursuing online and other distance education degree offerings. Our Executive Chairman and former Chief Executive Officer, Brent Richardson, has worked in the education services sector for more than 20 years and has extensive experience in content development and prospective student identification and recruitment. Dr. Kathy Player, our President, has been with Grand Canyon University for 10 years, has played a key role in developing our reputation for academic rigor and quality, and has been instrumental in developing our Office of Assessment and Institutional Research.

Effective July 1, 2008, we hired Brian Mueller, Stan Meyer, and Dan Bachus to serve as our Chief Executive Officer, Executive Vice President, and Chief Financial Officer, respectively. Mr. Mueller has been involved in the education industry for over 25 years, most recently as the president of Apollo Group, Inc., a for-profit, postsecondary education company and the parent company of the University of Phoenix. Mr. Meyer, who also has over 25 years of experience in the education industry, most recently served as the executive vice president of marketing and enrollment for Apollo Group, Inc. Mr. Bachus, who is a certified public accountant, has worked in the education industry for approximately seven years, including as the chief accounting officer and controller for Apollo Group, Inc.

Growth Strategies

We intend to pursue the following growth strategies:

Increase enrollment in existing programs. We continue to increase enrollment in our three core disciplines by identifying, enrolling, and retaining students seeking careers in the education, business, and healthcare fields. We believe, due to the depth of the market in our core disciplines, that our existing programs, some of which were only recently launched, provide ample opportunity for growth. Our three core disciplines serve markets that currently comprise over 40 million jobs, many of which require postsecondary education, and the BLS has projected in its 2008-09 Career Guide that these sectors will continue to grow. In 2007, we increased the number of our enrollment counselors by over 200 to increase our efforts to enroll prospective students in these fields. We intend to continue to increase the number of our enrollment counselors and our marketing personnel, and to provide these individuals with the training and resources necessary to effectively and efficiently drive enrollment growth and student retention.

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

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

Expand relationships with private sector and government employers. We seek additional relationships with health care systems, school districts, emergency services providers, and other employers through which we can market our offerings to their employees. As evidence of our success in these initiatives to date, in the first six months of 2008, we taught courses at 29 hospitals and had direct billing arrangements with 24 employers covering programs being pursued by over 1,000 of their employees. We recently

established a national account sales team, consisting of professionals with significant sales and marketing experience, that seeks to develop strategic relationships on a regional, national, and international basis across a wide range of employers. These relationships provide leads for our programs, build our recognition among employers in our core disciplines, and enable us to identify new programs and degrees that are in demand by students and employers.

Leverage infrastructure and drive earnings growth. We have made significant investments in our people, processes, and technology infrastructure since 2004. We believe these investments have prepared us to deliver our academic programs to a much larger student population with only modest incremental investment. Our current infrastructure is capable of supporting a significantly larger number of enrollment counselors, and we intend to expand this group in order to continue to drive enrollment growth. We implemented a new learning management system in 2007 to better serve the demands of our growing student population and have expanded our student and technology support capabilities to support a larger student base. We have also invested in administrative and management personnel and systems to prepare for our anticipated growth. We intend to leverage our historical investments as we increase our enrollment, which we believe will allow us to increase our operating margins over time.

Our Approach to Academic Quality

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

- *Academically rigorous, career oriented curricula.* We create academically rigorous curricula that are designed to enable all students to gain the foundational knowledge, professional competencies, and demonstrable skills required to be successful in their chosen fields. Our curriculum is designed and delivered by faculty that are committed to delivering a high quality, rigorous education. We design our curricula to address specific career-oriented objectives that we believe working adult students in the disciplines we serve are seeking. Through this combination, we believe that we produce graduates that can compete and become leaders in their chosen fields.
- *Qualified faculty.* We demonstrate our commitment to high quality education by hiring and contracting qualified faculty with relevant practical experience. Substantially all of our current faculty members hold at least a master’s degree in their respective field and approximately 38% of our faculty members hold a doctoral degree. Many of our faculty members are able to integrate relevant, practical experiences from their professional careers into the courses they teach. We invest in the professional development of our faculty members by providing training in ground and online teaching techniques, hosting events and discussion forums that foster sharing of best practices, and continually assessing teaching effectiveness through peer reviews and student evaluations.
- *Standardized course design.* We employ a standardized curriculum development process to ensure a consistent learning experience with frequent faculty-student interaction in our courses. We thereafter continuously review our programs in an effort to ensure that they remain consistent, up-to-date, and effective in producing the desired learning outcomes. We also regularly review student surveys to identify opportunities for course modifications and upgrades.
- *Effective student services.* We establish teams comprised of academic and administrative personnel that act as the primary support contact point for each of our students, beginning at the application stage and continuing through graduation. In recent years, we have also concentrated on improving the technology used to support student learning, including enhancing our online learning platform and further improving student services through the implementation of online interfaces. As a result, many of our support services, including academic, administrative, library, and career services, are accessible online, generally allowing users to access these services at a time and in a manner that is generally convenient to them.
- *Continual academic oversight.* We have centralized the academic oversight and assessment functions for all of our programs through our Office of Assessment and Institutional Research, which continuously evaluates the academic content, delivery method, faculty performance, and desired learning outcomes for each of our programs. We continuously assess outcomes data to determine whether our students graduate with the knowledge, competencies, and skills that are

necessary to succeed in the workplace. The Office and Assessment and Institutional Research also initiates and manages periodic examinations of our curricula by internal and external reviewers to evaluate and verify program quality and workplace applicability. Based on these processes and student feedback, we determine whether to modify or discontinue programs that do not meet our standards or market needs, or to create new programs. The Office and Assessment and Institutional Research also oversees regular reviews of our programs conducted by accrediting commissions.

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

- *Flexibility in program delivery.* We also seek to meet market demands by providing students with the flexibility to take courses exclusively online or to combine online coursework with various campus and onsite options. For example, based on market demand, particularly in connection with our nursing programs, we have established satellite locations at multiple hospitals that allow nursing students to take clinical courses onsite while completing other course work online. We have established similar onsite arrangements with other major employers, including schools and school districts through which students can pursue student teaching opportunities. This flexibility raises our profile among employers, encourages students to take and complete courses and eliminates inconveniences that tend to lessen student persistence.
- *Small class size.* Over 90% of our online classes had 25 or fewer students, with no classes exceeding 40 students, and over 80% of our ground classes had 25 or fewer students. These class sizes provide each student with the opportunity to interact directly with course faculty and to receive individualized feedback and attention while also affording our faculty with the opportunity to engage proactively with a manageable number of students. We believe this interaction enhances the academic quality of our programs by promoting opportunities for students to participate actively and thus build the requisite knowledge, competencies, and skills.

Accreditation and Program Approvals

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

College	Specialized Accreditations and Program Approvals	Current Period
College of Education	<ul style="list-style-type: none">The Arizona State Board of Education approves our College of Education to offer Institutional Recommendations for the certification of elementary, secondary, and special education teachers and school administrators.	2006 - 2008*
Ken Blanchard College of Business	<ul style="list-style-type: none">The Association of Collegiate Business Schools and Programs accredits our Master of Business Administration degree program and our Bachelor of Science degree programs in Accounting, Business Administration, and Marketing.	2007 - 2017
College of Nursing and Health Sciences	<ul style="list-style-type: none">The Commission on Collegiate Nursing Education accredits our Bachelor of Science (B.S.) in Nursing and Master of Science (M.S.) — Nursing degree programs.The Arizona State Board of Nursing approves our Bachelor of Science (B.S.) in Nursing and Master of Science (M.S.) — Nursing degree programs.The Commission on Accreditation of Athletic Training Education accredits our Athletic Training Program.	2006 - 2016 (B.S.) 2006 - 2011 (M.S.) 2006 - 2016 (B.S.) 2006 - 2011 (M.S.) 2008 - 2013

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

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

Curricula

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

We offer our academic programs through our four distinct colleges:

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

We license the right to utilize the name of Ken Blanchard in connection with our business school and Executive MBA Programs. See “Intellectual Property.”

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

College of Education		Ken Blanchard College of Business	
Degree Program	Emphasis	Degree Program	Emphasis
Master of Arts in Teaching		Ken Blanchard Executive MBA	
Master of Education	<ul style="list-style-type: none">• Education Administration — Institutional Recommendation (“IR”)• Education Administration — Organizational Leadership• Education Administration — School Leadership• Elementary Education — IR• Elementary Education — Non-IR• Curriculum and Instruction: Reading• Curriculum and Instruction: Technology• Secondary Education — IR• Secondary Education — Non-IR• Special Education for Certified Special Educators• Teaching English to Speakers of Other Languages• Special Education — IR• Special Education — Non-IR• School Counseling — K-12*	Master of Business Administration	<ul style="list-style-type: none">• General Management• Health Systems Management• Leadership• Management of Information Systems• Marketing• Six Sigma
		Master of Science	<ul style="list-style-type: none">• Leadership• Leadership — Disaster Preparedness Crisis Management• Executive Fire Leadership
		Bachelor of Science	<ul style="list-style-type: none">• Accounting• Business Administration• Business Administration — Healthcare Management• Business Administration — Management of Information Systems
Bachelor of Science	<ul style="list-style-type: none">• Elementary/Special Education*• Elementary Education — Early Childhood Education• Elementary Education — English• Elementary Education — Math• Elementary Education — Science• Secondary Education — Biology*• Secondary Education — Business Education and Technology• Secondary Education — Chemistry*• Secondary Education — Mathematics• Secondary Education — Social Studies• Secondary Education — Physical Education	Marketing	<ul style="list-style-type: none">• Applied Management• Accounting• Finance• Entrepreneurial Studies• Public Safety Administration
Bachelor of Arts	<ul style="list-style-type: none">• English for Secondary Teachers*		

* Indicates program was offered on ground only.

College of Nursing and Health Sciences		College of Liberal Arts	
Degree Program	Emphasis	Degree Program	Emphasis
Master of Science — Nursing	<ul style="list-style-type: none"> Family Nurse Practitioner* Nursing Leadership in Healthcare Systems Clinical Nurse Specialist* Clinical Nurse Specialist (Education Focus)* Nursing Education 	Bachelor of Arts in History*	
		Bachelor of Science	<ul style="list-style-type: none"> Justice Studies* Psychology Sociology*
Bachelor of Science in Nursing		Bachelor of Arts	<ul style="list-style-type: none"> Communications — Digital Media* Communications — Graphic Design* Communications — Public Relations* English Literature* Interdisciplinary Studies — Communication Christian Leadership Intercultural Studies Christian Studies — Biblical/Theological Studies Christian Studies — Pastoral Ministry Christian Studies — Worship Ministry Christian Studies — Youth Ministry Christian Leadership
Bachelor of Science	<ul style="list-style-type: none"> Biology — Basic Science* Biology — Pre-Medicine* Biology — Pre-Pharmacy* Biology — Pre-Physician Assistant* Biology — Pre-Physical Therapy* Biology — Pre-Occupational Therapy* Biology — Pre-Veterinary* Health Science: Professional Development and Advanced Patient Care Medical Imaging Sciences Athletic Training* Corporate Fitness and Wellness* Physical Education* Recreation* 		
		Undergraduate Minors	<ul style="list-style-type: none"> Justice Studies* Physical Education* Political Science* Psychology* Recreation* Social Sciences* Sociology* Spanish*
		<ul style="list-style-type: none"> Athletic Coaching* Behavioral Sciences* Business Critical Thinking and Expression* Exercise Science* Family Studies Health Education* History* 	

* Indicates program was offered on ground only.

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

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

New Program Development

We typically identify a potential new degree program or emphasis area through market demand or from proposals developed by faculty, staff, students, alumni, or partners, and then perform an analysis of the

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

Assessment

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

Faculty

Our faculty includes full-time, ground-based faculty who teach under a nine-month or twelve-month teaching contract, as well as adjunct ground-based faculty and online faculty who we contract to teach on a course-by-course basis for a specified fee. As of June 30, 2008, we employed 452 ground-based faculty members, of which 53 were full-time and 399 were part-time adjuncts, and maintained a pool of over 1,000 online faculty members, all of whom had completed our required training and 753 of which taught at least one course during the first six months of 2008. Substantially all of our current faculty members hold at least a master's degree in their respective field and approximately 38% of our faculty members hold a doctoral degree. On occasion, we engage a limited number of faculty members who may not hold a graduate degree, but who evidence significant professional experience and achievement in their respective subject areas.

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

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

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

Student Support Services

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

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

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

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

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

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

Marketing, Recruitment, and Retention

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

We have established dedicated teams, consisting of both marketing and enrollment personnel, at each of our colleges to lead our efforts to attract new students. We believe that these blended groups, organized around each core discipline, promote more effective internal communication within our sales and marketing functions, allow deeper penetration within our target markets due to each team's singular focus on a core discipline, and

enable us to gain a better understanding of the attributes of our students who ultimately enroll and graduate so that we can target our marketing and enrollment processes accordingly.

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

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

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

Our enrollment counselors typically have prior education industry or sales experience. Each counselor undergoes a standardized three-week training program that involves both classroom and supervisor-monitored fieldwork and provides the counselor with training in financial aid, regulatory requirements, general sales skills, and our history and heritage, mission, and academic programs. As of June 30, 2008, we employed over 450 enrollment counselors at facilities in Arizona and Utah and have capacity at our existing locations to support approximately 700 enrollment counselors, which we expect to be sufficient to handle our growth plans through 2009. We believe we can obtain additional capacity to accommodate our growth plans beyond 2009 on terms acceptable to us.

Retention. We employ a retention team whose purpose is to support the student in advancing from matriculation through graduation. At June 30, 2008, our retention team consisted of 19 "retention specialists," whom, among other things, monitor "triggering events," such as the failure to buy books for a registered course or to participate in online orientation exercises, which signal that a student may be at-risk for dropping out. Upon identifying an at-risk student, specialists proactively interact with the student to resolve any issues and encourage the student to continue with his or her program. In 2006, we developed and introduced our "concierge" system, which is a software program that monitors and manages the resolution of student issues, such as financial aid or technology problems, that, if left unresolved, may lead to dissatisfaction and lower student persistence. Under this system, each reported problem is issued a "ticket" that is accessible by all functional groups within Grand Canyon University and remains outstanding until the problem is resolved. The system directs the ticket to personnel best able to resolve the problem, and escalates the ticket to higher levels if not resolved within appropriate time periods. We have found that personally involving our employees in the student educational process, and proactively seeking to resolve issues before they become larger problems, can

significantly increase retention rates among students. The concierge system also provides our marketing and enrollment personnel with greater insight into the qualities exhibited by successful students, which enables our enrollment team to recruit and enroll higher quality applicants.

Admissions

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

Enrollment

At June 30, 2008, we had 16,510 students enrolled in our courses, of which 14,847, or 89.9%, were enrolled in our online programs, and 1,663, or 10.1%, were enrolled in our ground programs. Of our online students, which were geographically distributed throughout all 50 states of the United States, and Canada, 91.7% were age 25 or older. Of our ground students, which, although we draw students from throughout the United States, were predominantly comprised of students from Arizona, 82.1% were age 25 or older.

The following is a summary of our student enrollment at June 30, 2008 and December 31, 2007 (which included less than 100 students pursuing non-degree certificates) by degree type and by instructional delivery method:

	June 30, 2008		December 31, 2007	
	# of Students	% of Total	# of Students	% of Total
Master's	10,051	60.9	9,156	62.1%
Bachelor's	6,459	39.1	5,598	37.9%
Total	16,510	100.0	14,754	100.0%

	June 30, 2008		December 31, 2007	
	# of Students	% of Total	# of Students	% of Total
Online	14,847	89.9	12,497	84.7%
Ground*	1,663	10.1	2,257	15.3%
Total	16,510	100.0	14,754	100.0%

* Includes our traditional ground students, as well as our professional studies ground students. Enrollment of our ground students is typically lower at June 30 as compared to December 31 because a portion of our ground students are not enrolled in classes during the summer months.

Tuition and Fees

Our tuition rates vary by type and length of program and by degree level. For all graduate and undergraduate programs, tuition is determined by the number of courses taken by each student. For our 2008-09 academic year (the academic year that began in May 2008), our prices per credit hour are \$395 for undergraduate online and professional studies courses, \$420 for graduate online courses (other than graduate nursing), \$510 for graduate online nursing courses, and \$645 for undergraduate courses for ground students. The overall price of each course varies based upon the number of credit hours per course (with most courses representing three credit hours), the degree level of the program, and the discipline of the course. In addition, we charge a fixed \$7,740 “block tuition” for undergraduate ground students taking between 12 and 18 credit

hours per semester, with an additional \$645 per credit hour for credits in excess of 18. A traditional undergraduate degree typically requires a minimum of 120 credit hours. The minimum number of credit hours required for a master's degree and overall cost for such a degree varies by program although such programs typically require approximately 36 credit hours. Our new doctoral program in education, which is first being offered in the 2008-09 academic year, costs \$770 per credit hour and requires approximately 60 credit hours.

We offer tuition scholarships to select students, including online students, athletes, employees, and participants in programs we offer through relationships with employers. For the years ended December 31, 2006 and 2007 and the six months ended June 30, 2008, our revenue was reduced by approximately \$8.0 million, \$10.3 million, and \$7.7 million, respectively, as a result of scholarships that we offered to our students.

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

Sources of Student Financing

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

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

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

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

Effective July 1, 2008, under the Federal Stafford Loan Program, a dependent undergraduate student can borrow up to \$5,500 for the first academic year, \$6,500 for the second academic year, and \$7,500 for each of the third and fourth academic years. Students classified as independent,

and dependent students whose parents were denied a parent loan for undergraduate students, can obtain up to an additional \$4,000 for each of the first and second academic years and an additional \$5,000 for each of the third and fourth academic years. Students enrolled in graduate programs can borrow up to \$20,500 per academic year. Students enrolled in certain graduate-level health programs can receive an additional \$12,500 per academic year.

- *Pell.* Under the Pell Program, the Department of Education makes grants to undergraduate students who demonstrate financial need. Effective July 1, 2008, the maximum annual grant a student can receive under the Pell Program is \$4,731. Under the August 2008 reauthorization of the Higher Education Act, students will be able for the first time to receive Pell Grant funds for attendance on a year-round basis, which means that the amount a student can receive in a given year will be more than the traditionally defined maximum annual amount.

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

Other financial aid programs. In addition to the Title IV programs listed above, eligible students may participate in several other financial aid programs or receive support from other governmental sources. These include veterans educational benefits administered by the U.S. Department of Veterans Affairs and state financial aid programs. During fiscal 2007 and the first six months of 2008, we derived an immaterial amount of our net revenue from tuition financed by such programs.

Private loans. Some of our students also use private loan programs to help finance their education. Students can apply to a number of different lenders for private loans at current market interest rates. Private loans are intended to fund a portion of students' cost of education not covered by the Title IV programs and other financial aid. During fiscal 2007, payments derived from private loans constituted approximately 5.1% of our cash revenue. Third-party lenders independently determine whether a loan to a student is classified as subprime, and, based on these determinations, payments to us derived from subprime loans constituted approximately 0.2% of our cash revenue.

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

Technology Systems and Management

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

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

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

Infrastructure. We operate two data centers, one at our campus and one at a third party co-location facility. All of our servers are networked and we have redundant data backup. We manage our technology

environment internally. Our wide area network uses multi-protocol label switching technology for maximum availability and flexibility. Student access is provided through redundant data carriers in both data centers and is load balanced for maximum performance. Real-time monitoring provides current system status across server, network, and storage components.

Ground Campus

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

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

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

Employees

In addition to our faculty, as of June 30, 2008, we employed 979 staff and administrative personnel in university services, academic advising and academic support, enrollment services, university administration, financial aid, information technology, human resources, corporate accounting, finance, and other administrative functions. None of our employees is a party to any collective bargaining or similar agreement with us. We consider our relationships with our employees to be good.

Competition

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

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

Non-profit institutions receive substantial government subsidies, and have access to government and foundation grants, tax-deductible contributions and other financial resources generally not available to for-profit schools. Accordingly, non-profit institutions may have instructional and support resources that are

superior to those in the for-profit sector. In addition, some of our competitors, including both traditional colleges and universities and other for-profit schools, have substantially greater name recognition and financial and other resources than we have, which may enable them to compete more effectively for potential students. We also expect to face increased competition as a result of new entrants to the online education market, including established colleges and universities that had not previously offered online education programs.

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

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

Property

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

Intellectual Property

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

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

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

Legal Proceedings

On February 28, 2007, we filed a complaint against SunGard Higher Education Managed Services, Inc. in the Maricopa County Superior Court, Case No. CV2007-003492, for breach of contract, breach of implied

covenant of good faith and fair dealing, breach of warranty, breach of fiduciary duty, tortious interference with business expectancy, unjust enrichment, and consumer fraud related to a technology services agreement between the parties. In response, SunGard moved to stay the litigation and compel arbitration. The court granted the motion to stay, and compelled the parties to arbitrate. SunGard has also counterclaimed alleging breach of contract relating to the parties' technology services agreement. Following discovery, the arbitration occurred in late May 2008 and final arguments were heard in July 2008. We are seeking approximately \$1.4 million from SunGard, and SunGard has counterclaimed for approximately \$1.7 million.

On August 14, 2008, the Office of Inspector General of the Department of Education 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. See "Regulation — Regulation of Federal Student Financial Aid Programs — Incentive compensation rule." Because of the ongoing nature of the Office of Inspector General investigation, we can neither know nor 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 had been 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 have 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 in respect of non-cash awards, are not within the scope of any specific "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 of \$5,000 to \$10,000 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 educational institutions that receive Title IV funds. We plan to contest the *qui tam* complaint vigorously.

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

REGULATION

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

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

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

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

State Education Licensure and Regulation

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

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

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

We have determined that our activities in certain states constitute a presence requiring licensure or authorization under the requirements of the state education agency in those states. In other states, we have obtained approvals as we have determined necessary in connection with our marketing and recruiting activities or where we have determined that our licensure or authorization can facilitate the teaching certification process in a particular state for graduates of our College of Education. We review the licensure requirements of other states when appropriate to determine whether our activities in those states constitute a presence or otherwise require licensure or authorization by the respective state education agencies. We believe we are licensed or authorized in those jurisdictions where a license or authorization is currently required, and we do not believe that any of the states in which we are currently licensed or authorized, other than Arizona, are individually material to our operations. Nevertheless, because we enroll students in all 50 states and the District of Columbia, we expect that other state regulatory authorities will request that we seek licensure or authorization in their states in the future. Although we believe that we will be able to comply with additional state licensing or authorization requirements that may arise or be asserted in the future, if we fail to comply with state licensing or authorization requirements for a state, or fail to obtain licenses or authorizations when required, we could lose our state licensure or authorization by that state or be subject to other sanctions, including restrictions on our activities in that state, fines, and penalties. The loss of licensure or authorization in a state other than Arizona could prohibit us from recruiting prospective students or offering services to current students in that state, which could significantly reduce our enrollments.

State Professional Licensure

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

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

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

Our College of Education is approved by the Arizona State Board of Education to offer Institutional Recommendations (credentials) for the certification of elementary, secondary, and special education teachers and school administrators. Our College of Nursing and Health Services is approved by the Arizona State Board of Nursing for the Bachelor of Science in Nursing and Master of Science — Nursing degrees. Due to

varying requirements for professional licensure in each state, we inform students of the risks associated with obtaining professional licensure and that it is each student's responsibility to determine what state, local, or professional licensure and certification requirements are necessary in his or her individual state.

Accreditation

We have been institutionally accredited since 1968 by the Higher Learning Commission and its predecessor, each a regional accrediting commission recognized by the Department of Education. Our accreditation was reaffirmed in 2007 for the maximum term of 10 years as part of a regularly scheduled reaffirmation process. Accreditation is a private, non-governmental process for evaluating the quality of educational institutions and their programs in areas including student performance, governance, integrity, educational quality, faculty, physical resources, administrative capability and resources, and financial stability. To be recognized by the Department of Education, accrediting commissions must adopt specific standards for their review of educational institutions, conduct peer-review evaluations of institutions, and publicly designate those institutions that meet their criteria. An accredited school is subject to periodic review by its accrediting commissions to determine whether it continues to meet the performance, integrity and quality required for accreditation.

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

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

In connection with our reaccreditation by the Higher Learning Commission in 2007, the Higher Learning Commission identified certain deficiencies in the areas of library staffing and resources, assessment, and resources for our on-ground operations. We are addressing these deficiencies and expect to provide a monitoring report regarding our progress in these areas to the Higher Learning Commission in February 2009.

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

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

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

Regulation of Federal Student Financial Aid Programs

To be eligible to participate in the Title IV programs, an institution must comply with specific requirements contained in the Higher Education Act and the regulations issued thereunder by the Department of Education. An institution must, among other things, be licensed or authorized to offer its educational programs by the state in which it is physically located (in our case, Arizona) and maintain institutional accreditation by an accrediting commission recognized by the Department of Education. We submitted our application for recertification in March 2008 in anticipation of the expiration of our provisional certification on June 30, 2008. The Department of Education did not make a decision on our recertification application by June 30, 2008 and therefore our participation in the Title IV programs has been automatically extended on a month-to-month basis until the Department of Education makes its decision.

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

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

Congressional action. Congress must reauthorize the Higher Education Act on a periodic basis, usually every five to six years, and the most recent reauthorization occurred in August 2008. The reauthorized Higher Education Act reauthorized all of the Title IV programs in which we participate, but made numerous revisions to the requirements governing the Title IV programs, including provisions relating to the relationships between institutions and lenders that make student loans, student loan default rates, and the formula for revenue that institutions are permitted to derive from the Title IV programs. In addition, in 2007 Congress enacted legislation that reduces interest rates on certain Title IV loans and government subsidies to lenders that participate in the Title IV programs. In May 2008, Congress enacted additional legislation to attempt to ensure that all eligible students will be able to obtain Title IV loans in the future, and that a sufficient number of lenders will continue to provide Title IV loans. Additional legislation is also pending in Congress. We are not in a position to predict with certainty whether any of the pending legislation will be enacted. The elimination of certain Title IV programs, material changes in the requirements for participation in such programs, or the substitution of materially different programs could increase our costs of compliance and could reduce the ability of some students to finance their education at our institution.

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

Eligibility and certification procedures. Each institution must apply periodically to the Department of Education for continued certification to participate in the Title IV programs. Such recertification generally is required every six years, but may be required earlier, including when an institution undergoes a change in control. An institution may also come under the Department of Education's review when it expands its activities in certain ways, such as opening an additional location, adding a new educational program or modifying the academic credentials it offers. The Department of Education may place an institution on provisional certification status if it finds that the institution does not fully satisfy all of the eligibility and certification standards and in certain other circumstances, such as when an institution is certified for the first time or undergoes a change in control. During the period of provisional certification, the institution must comply with any additional conditions included in the school's program participation agreement with the

Department of Education. In addition, the Department of Education may more closely review an institution that is provisionally certified if it applies for recertification or approval to open a new location, add an educational program, acquire another school, or make any other significant change. If the Department of Education determines that a provisionally certified institution is unable to meet its responsibilities under its program participation agreement, it may seek to revoke the institution's certification to participate in the Title IV programs without advance notice or opportunity for the institution to challenge the action. Students attending provisionally certified institutions remain eligible to receive Title IV program funds.

The Department of Education issued our current program participation agreement in May 2005, after an extended review following the change in control that occurred in February 2004. In the May 2005 recertification, the Department of Education placed us on provisional certification status and imposed certain conditions on us, including a requirement that we post a letter of credit, accept restrictions on the growth of our program offerings and enrollment, and receive certain Title IV funds under the heightened cash monitoring system of payment (pursuant to which an institution is required to credit students with Title IV funds prior to obtaining those funds from the Department of Education) rather than by advance payment (pursuant to which an institution receives Title IV funds from the Department of Education in advance of disbursement to students). In October 2006, the Department of Education eliminated the letter of credit requirement and allowed the growth restrictions to expire, and in August 2007, it eliminated the heightened cash monitoring restrictions and returned us to the advance payment method.

Since May 2005 we have been certified to participate in Title IV programs on a provisional basis. We submitted our application for recertification in March 2008 in anticipation of the expiration of our provisional certification on June 30, 2008. The Department of Education did not make a decision on our recertification application by June 30, 2008 and therefore our provisional certification to participate in the Title IV programs has been automatically extended on a month-to-month basis until the Department of Education makes its decision. Provisional certification means that the Department of Education may more closely review applications for recertification, new locations, new educational programs, acquisitions of other schools, or other significant changes. For a school that is certified on a provisional basis, the Department of Education may revoke the institution's certification without advance notice or advance opportunity for the institution to challenge that action. For a school that is provisionally certified on a month-to-month basis, the Department of Education may allow the institution's certification to expire at the end of any month without advance notice, and without any formal procedure for review of such action. To our knowledge, such action is very rare and has only occurred upon a determination that an institution is in substantial violation of material Title IV requirements. For the foreseeable future, we do not have plans to establish new locations, acquire other schools, or make other significant changes in our operations. With the exception of our newly instituted doctoral program in education, which is accredited but not yet eligible for Title IV funding and which is immaterial to our operations, we do not have any plans to initiate new educational programs that would require approval of the Department of Education. Accordingly, we do not believe that our continued provisional certification on a month-to-month basis has had or will have any material impact on our day-to-day operations. However, there can be no assurance that the Department of Education will recertify us while the investigation by the Office of Inspector General of the Department of Education is being conducted, while the *qui tam* lawsuit is pending, or at all, or that it will not impose restrictions as a condition of approving our pending recertification application or with respect to any future recertification. If the Department of Education does not renew or withdraws our certification to participate in the Title IV programs at any time, our students would no longer be able to receive Title IV program funds. Similarly, the Department of Education could renew our certification, but restrict or delay our students' receipt of Title IV funds, limit the number of students to whom we could disburse such funds, or place other restrictions on us.

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

- comply with all applicable Title IV program requirements;
- have an adequate number of qualified personnel to administer the Title IV programs;

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

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

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

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

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

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

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

When we were recertified by the Department of Education in 2005 to continue participating in the Title IV programs, the Department of Education advised us that we did not satisfy its standards of financial responsibility, based on our fiscal year 2004 financial statements, as submitted to the Department of Education. As a result of this and other concerns about our administrative capability, the Department of Education required us to post a letter of credit, accept restrictions on the growth of our program offerings and enrollment, and receive Title IV funds under the heightened cash monitoring system of payment rather than by advance payment. In October 2006, the Department of Education eliminated the letter of credit requirement and allowed the growth restrictions to expire, based upon its review of our fiscal year 2005 financial statements. We subsequently submitted our fiscal year 2006 and 2007 financial statements to the Department of Education as required, and we calculated that our composite score for those years exceeded 1.5. We therefore believe that we meet the Department of Education's financial responsibility standards for our most recently completed fiscal year.

If the Department of Education were to determine that we did not meet the financial responsibility standards due to a failure to meet the composite score or other factors, we would expect to be able to establish financial responsibility on an alternative basis permitted by the Department of Education, which could include, in the Department's discretion, posting a letter of credit, accepting provisional certification, complying with additional Department of Education monitoring requirements, agreeing to receive Title IV program funds under an arrangement other than the Department of Education's standard advance funding arrangement, such as the reimbursement system of payment or heightened cash monitoring, and/or complying with or accepting other limitations on our ability to increase the number of programs we offer or the number of students we enroll.

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

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

The "90/10 Rule." A requirement of the Higher Education Act commonly referred to as the "90/10 Rule" provides that an institution loses its eligibility to participate in the Title IV programs, if, under a complex regulatory formula that requires cash basis accounting and other adjustments to the calculation of revenue, the institution derives more than 90% of its revenues for any fiscal year from Title IV program funds. This rule applies only to for-profit postsecondary educational institutions, including us. Any institution that violates the rule becomes ineligible to participate in the Title IV programs as of the first day of the fiscal year following the fiscal year in which it exceeds the 90% threshold, and it is unable to apply to regain its eligibility until the next fiscal year. If an institution exceeds the 90% threshold for a fiscal year and it and its students have received Title IV funds for the next fiscal year, it will be required to return those funds to the

applicable lender or the Department of Education. The August 2008 reauthorization of the Higher Education Act includes significant revisions to the “90/10 Rule,” effective upon the date of the law’s enactment. Under the revised law, an institution is subject to loss of eligibility to participate in the Title IV programs only if it exceeds the 90% threshold for two consecutive years, the period of ineligibility is extended to at least two years, and an institution whose rate exceeds 90% for any single year will be placed on provisional certification. Using the Department of Education’s formula under the “90/10 Rule,” for our 2006 and 2007 fiscal years we derived approximately 71.5 % and 74.0%, respectively, of our revenues (calculated on a cash basis) from Title IV program funds. Recent changes in federal law that increased Title IV grant and loan limits, and any additional increases in the future, may result in an increase in the revenues we receive from the Title IV programs, which could make it more difficult for us to satisfy the “90/10 Rule.” However, such effects may be mitigated by other provisions of the recent Higher Education Act reauthorization that allow institutions, when calculating their compliance with this revenue test, to exclude from their Title IV revenues for a three-year period the additional federal student loan amounts that became available starting in July 2008, and to include more non-Title IV revenues, such as revenues from institutional loans under certain circumstances.

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

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

If an institution’s FFEL cohort default rate equals or exceeds 25% in any single year, the institution may be placed on provisional certification status. Provisional certification does not limit an institution’s access to Title IV program funds, but an institution on provisional status is subject to closer review by the Department of Education if it applies for recertification or approval to open a new location, add an educational program, acquire another school, or make any other significant change, and the Department of Education may revoke such institution’s certification without advance notice if it determines that the institution is not fulfilling material Title IV program requirements. Our cohort default rates on FFEL program loans for the 2004, 2005, and 2006 federal fiscal years, the three most recent years for which such rates have been calculated, were 1.4%, 1.8%, and 1.6%, respectively. The August 2008 reauthorization of the Higher Education Act includes significant revisions to the requirements concerning FFEL cohort default rates. Under the revised law, the period for which students’ defaults on their loans are included in the calculation of an institution’s cohort default rate has been extended by one additional year, which is expected to increase the cohort default rates for most institutions. That change will be effective with the calculation of institutions’ cohort default rates for federal fiscal year 2009, which are expected to be calculated and issued by the Department of Education in 2012. The revised law also increased the threshold for ending an institution’s participation in the relevant Title IV programs from 25% to 30%, effective in 2012.

Incentive compensation rule. An institution that participates in the Title IV programs may not provide any commission, bonus, or other incentive payment based directly or indirectly on success in securing enrollments or financial aid to any person or entity engaged in any student recruitment, admissions, or financial aid awarding activity. The Department of Education’s regulations set forth 12 “safe harbors” which

describe payments and arrangements that do not violate the incentive compensation rule. The Department of Education's regulations make clear that the safe harbors are not a complete list of permissible practices under this law. One of these safe harbors permits adjustments to fixed salary for enrollment personnel provided that such adjustments are not made more than twice during any twelve month period, and that any adjustment is not based solely on the number of students recruited, admitted, enrolled, or awarded financial aid. While we believe that our compensation policies and practices 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, in a limited number of instances, our actions have not been within the scope of any specific safe harbor provided in the compensation regulations. In addition, such safe harbors do not address non-cash awards to enrollment personnel. The restrictions of the incentive compensation rule also extend to any third-party companies that an educational institution contracts with for student recruitment, admissions, or financial aid awarding services. Since 2005, we have engaged Mind Streams, LLC to assist us with student recruitment activities.

In recent years, several for-profit education companies have been faced with whistleblower lawsuits, known as "*qui tam*" cases, brought by current or former employees alleging that their institution had made impermissible incentive payments. A *qui tam* case is a civil lawsuit brought by one or more individuals (a "relator") on behalf of the federal government for an alleged submission to the government of a false claim for payment. The relator, often a current or former employee, is entitled to a share of the government's recovery in the case. A *qui tam* action is always filed under seal and remains under seal until the government decides whether to intervene in the case. If the government intervenes, it takes over primary control of the litigation. If the government declines to intervene in the case, the relator may nonetheless elect to continue to pursue the litigation at his or her own expense on behalf of the government.

In this regard, 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 had been 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 have 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 our 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 our practices, including in respect of non-cash awards, have not been within the scope of any specific 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 of \$5,000 to \$10,000 for each violation of the False Claims Act, attorneys' fees, costs, and interest. In our case, the *qui tam* lawsuit was initially filed under seal in 2007 and was unsealed and served on us following the government's decision not to intervene at this time.

The Office of Inspector General of the Department of Education is responsible for, among other things, promoting the effectiveness and integrity of the Department of Education's programs and operations, including compliance with applicable statutes and regulations. The Office of Inspector General performs investigations of alleged violations of law, including cases of alleged fraud and abuse, or other identified vulnerabilities, in programs administered or financed by the Department of Education, including matters related to the incentive compensation rule. On August 14, 2008, the Office of Inspector General 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. Based on the records and information requested in the subpoena, we believe the Office of Inspector

General is conducting an investigation focused on whether we have compensated any of our enrollment counselors or managers in a manner that violated the Title IV statutory requirements or the related Department of Education regulations concerning the payment of compensation based on success in securing enrollments or financial aid. The Department of Education may impose fines and other monetary penalties as a result of a violation of the incentive compensation law and such fines and other monetary penalties may be substantial. In addition, the Department of Education retains the authority to impose other sanctions on an institution for violations of the incentive compensation law. The possible effects of a determination of a regulatory violation are described more fully in "Regulation — Regulation of Federal Student Financial Aid Programs — Potential effect of regulatory violations." We are cooperating with the Office of Inspector General to facilitate its investigation.

Any fine or other sanction resulting from the Department of Education investigation or otherwise, or any monetary liability resulting from the *qui tam* action, could damage our reputation and impose significant costs on us, which could have a material adverse effect on our business, prospects, financial condition, and results of operations. Because of the ongoing nature of the Office of Inspector General investigation and the *qui tam* action, we can neither know nor predict the ultimate outcome of the investigation or lawsuit or any liability or other sanctions that might result.

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

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

Potential effect of regulatory violations. If we fail to comply with the regulatory standards governing the Title IV programs, the Department of Education could impose one or more sanctions, including transferring us to the reimbursement or cash monitoring system of payment, requiring us to repay Title IV program funds, requiring us to post a letter of credit in favor of the Department of Education as a condition for continued Title IV certification, taking emergency action against us, initiating proceedings to impose a fine or to limit,

suspend, or terminate our participation in the Title IV programs, or referring the matter for civil or criminal prosecution. Since we are provisionally certified to participate in the Title IV programs on a month-to-month basis, the Department of Education could allow our certification to expire at the end of any month without advance notice and without any formal procedure for review of such action. In addition, the agencies that guarantee FFEL loans for our students could initiate proceedings to limit, suspend, or terminate our eligibility to provide FFEL loans in the event of certain regulatory violations. If such sanctions or proceedings were imposed against us and resulted in a substantial curtailment or termination of our participation in the Title IV programs, our enrollments, revenues, and results of operations would be materially and adversely affected.

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

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

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

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

attempt to ensure that all eligible students will be able to obtain Title IV loans in the future and that a sufficient number of lenders will continue to provide Title IV loans. Among other things, the new legislation:

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

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

Regulatory Standards that May Restrict Institutional Expansion or Other Changes

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

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

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

Acquiring other schools. While we have not acquired any other schools in the past, we may seek to do so in the future. The Department of Education and virtually all state education agencies and accrediting commissions require a company to seek their approval if it wishes to acquire another school. In our case, we would need to obtain the approval of the Arizona State Board for Private Postsecondary Education or other

state education agency that licenses the school being acquired, the Higher Learning Commission, any other accrediting commission that accredits the school being acquired, and the Department of Education. The level of review varies by individual state and accrediting commission, with some requiring approval of such an acquisition before it occurs while others only consider approval after the acquisition has occurred. The approval of the applicable state education agencies and accrediting commissions is a necessary prerequisite to the Department of Education certifying the acquired school to participate in the Title IV programs under our ownership. The restrictions imposed by any of the applicable regulatory agencies could delay or prevent our acquisition of other schools in some circumstances.

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

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

We are currently provisionally certified to participate in the Title IV programs on a month-to-month basis. The Department of Education issued our current program participation agreement in May 2005, after an extended review following the change in control that occurred in February 2004. The Department of Education's 2005 recertification imposed certain conditions on us, including a requirement that we post a letter of credit, accept restrictions on the growth of our program offerings and enrollment, and receive Title IV funds under the heightened cash monitoring system of payment rather than by advance payment. In October 2006, the Department of Education eliminated the letter of credit requirement and allowed the growth restrictions to expire, and in August 2007, it eliminated the heightened cash monitoring restrictions and returned us to the advance payment method. We submitted our application for recertification in March 2008 in anticipation of the expiration of our provisional certification on June 30, 2008. The Department of Education did not make a decision on our recertification application by June 30, 2008 and therefore our participation in the Title IV programs has been automatically extended on a month-to-month basis until the Department of Education makes its decision. There can be no assurance that the Department of Education will recertify us while the investigation by the Office of Inspector General of the Department of Education is being conducted, while the *qui tam* lawsuit is pending, or at all, or that it will not impose restrictions as a condition of approving our pending recertification application or with respect to any future recertification.

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

Many states include the sale of a controlling interest of common stock in the definition of a change in control requiring approval, but their thresholds for determining a change in control vary widely. The standards of the Arizona State Board for Private Postsecondary Education provide that an institution undergoes a change in control if there is a transfer of 50% or more of its voting stock over a five-year period. In our case, we believe the five-year period to apply this standard would begin after our prior change in control in February 2004 and therefore would include the acquisition of voting stock by the Endeavour Entities in 2005, as well as the issuance and sale of voting stock in connection with the offering. A change in control under the definition of one of the other state agencies that regulate us might require us to obtain approval of the change in control in order to maintain our authorization to operate in that state, and in some cases such states could require us to obtain advance approval of the change in control.

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

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

We have submitted a description of the offering to the Department of Education, which has informed us that the proposed offering will not trigger a change in ownership resulting in a change in control under the Department of Education's regulations.

The Higher Learning Commission has informed us that it will consider the offering to be a change in control under its policies, which will require us to obtain the Higher Learning Commission's approval prior to consummating the offering. We have filed additional correspondence with the Higher Learning Commission regarding the information needed to obtain such approval. As a result of its determination that the offering will be a change in control, the Higher Learning Commission is likely to conduct a site visit within six months of consummation of the offering to confirm the appropriateness of the approval and to evaluate whether we continue to meet the Higher Learning Commission's eligibility criteria. In addition, based on our communications with the Arizona State Board for Private Postsecondary Education, we believe the offering will be a change in control under Arizona law. Accordingly, following the consummation of the offering, we will be required to file an application with the Arizona State Board for Private Postsecondary Education in order to obtain such approval. We cannot predict whether the Higher Learning Commission or the Arizona State Board for Private Postsecondary Education will impose any limitations or conditions on us, or identify any compliance issues related to us in the context of the change in control process, that could result in our loss of accreditation or authorization by such agency, as applicable. Any failure to comply with the requirements of either the Higher Learning Commission or the Arizona State Board for Private Postsecondary

Education, or a failure to obtain their approval of the change in control, could result in our loss of accreditation or authorization by such agency, as applicable, which, in turn, would result in our loss of eligibility to participate in the Title IV programs and cause a significant decline in our student enrollments.

We also intend to seek confirmation from other accrediting commissions and state agencies, as we believe necessary, that this offering will not constitute a change in control under their respective standards, or to determine what is required if any such commission or agency does consider the offering to constitute a change in control. We do not expect that this offering will result in a change in control for any of those agencies, or that any of those agencies will require us to obtain their approval in connection with this offering. If any of those agencies deemed this offering to be a change in control, we would have to apply for and obtain approval from that agency, in some cases in advance of this offering, according to its procedures.

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

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

MANAGEMENT

Executive Officers and Directors

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

Name	Age	Position
Brent D. Richardson	46	Executive Chairman
Brian E. Mueller	55	Chief Executive Officer
John E. Crowley	52	Chief Operating Officer
Christopher C. Richardson	36	General Counsel and Director
Daniel E. Bachus	38	Chief Financial Officer
W. Stan Meyer	47	Executive Vice President
Timothy R. Fischer	59	Chief Administrative Officer
Michael S. Lacrosse	53	Chief Information Officer
Dr. Kathy Player	46	Grand Canyon University President
Chad N. Heath	34	Director
D. Mark Dorman	47	Director
David J. Johnson	62	Director-Nominee
Jack A. Henry	64	Director-Nominee

Brent D. Richardson has been serving as our Executive Chairman since July 1, 2008. Mr. Richardson previously served as our Chief Executive Officer from 2004 to July 2008. From 2000 to 2004, Mr. Richardson served as chief executive officer of Masters Online, LLC, a company that provided online educational programs and marketing services to several regionally and nationally accredited universities. Prior to 2000, Mr. Richardson served as director of sales and marketing and later general manager of the Educational Division of Private Networks, a company that produced customized distance learning curricula for the healthcare and automotive industries. Mr. Richardson has over 20 years of experience in the education industry. Mr. Richardson earned his Bachelor of Science degree in Finance from Eastern Illinois University. Brent Richardson and Chris Richardson are brothers.

Brian E. Mueller has been serving as our Chief Executive Officer since July 1, 2008. From 1987 to 2008, Mr. Mueller was employed by Apollo Group, Inc., a for-profit, postsecondary education company and the parent company of the University of Phoenix, serving since January 2006 as its president and a director. Mr. Mueller previously served as the chief operating officer of Apollo Group from December 2005 to January 2006, as chief executive officer of the University of Phoenix Online, a unit of the University of Phoenix, from March 2002 to November 2005, and as chief operating officer and senior vice president of the University of Phoenix Online from May 1997 to March 2002. From 1987 to May 1997, Mr. Mueller held several positions in operations management for Apollo Group. From 1983 to 1987, Mr. Mueller was a professor at Concordia University. Mr. Mueller earned his Master of Arts in Education degree and his Bachelor of Arts degree in Education from Concordia University.

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

Christopher C. Richardson has been serving as our General Counsel since 2007 and as a director since 2004. From 2004 to 2007, Mr. Richardson served as legal counsel in our Office of General Counsel. Prior to 2004, Mr. Richardson served as the chief operating officer for Masters Online, LLC, a company that provided online educational programs and marketing services to several regionally and nationally accredited universities. Mr. Richardson earned his Bachelor of Arts degree in Political Science from Brigham Young

University, and Juris Doctor from the University of Arizona College of Law, where he graduated summa cum laude. Brent Richardson and Chris Richardson are brothers.

Daniel E. Bachus has been serving as our Chief Financial Officer since July 1, 2008. From January 2007 until June 2008, Mr. Bachus served as chief financial officer for Loreto Bay Company, a real estate developer. From 2000 to 2006, Mr. Bachus served as the chief accounting officer and controller of Apollo Group, Inc., a for-profit, postsecondary education company and the parent company of the University of Phoenix. From 1992 to 2000, Mr. Bachus was employed by Deloitte & Touche LLP, most recently as an audit senior manager. Mr. Bachus earned his Bachelor of Science degree in Accountancy from the University of Arizona and his Master in Business Administration degree from the University of Phoenix. Mr. Bachus is also a certified public accountant.

W. Stan Meyer has been serving as our Executive Vice President since July 1, 2008. From August 2002 to June 2008, Mr. Meyer was employed by Apollo Group, Inc., a for-profit, postsecondary education company and the parent company of the University of Phoenix, serving since June 2006 as its executive vice president of marketing and enrollment. Mr. Meyer previously served as a regional vice president of the University of Phoenix Online, a unit of the University of Phoenix, and division director of Axia College and of the School of Advanced Studies. From 1983 to 2002, Mr. Meyer held several positions with the Concordia University system, including director for Concordia University's education network. Mr. Meyer earned a Doctor of Education in Institutional Management degree and a Master of Business Administration degree from Pepperdine University and a Bachelor of Arts in Communications degree from Concordia University.

Timothy R. Fischer has been serving as our Chief Administrative Officer since July 1, 2008. Mr. Fischer previously served as our Chief Financial Officer from 2005 until July 2008. Prior to 2005, Mr. Fischer served as an independent management and financial consultant to both public and private companies in the Phoenix, Arizona area. Mr. Fischer is a member of the American Institute of Certified Public Accountants and is licensed as a certified public accountant by the New Mexico State Board of Public Accountancy. Mr. Fischer earned his Bachelor of Business Administration degree from Eastern New Mexico University.

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

Dr. Kathy Player has been serving as Grand Canyon University President since July 31, 2008. From 2007 to July 2008 she served as our Provost and Chief Academic Officer. From 1998 to 2007, Dr. Player served in several other leadership roles at Grand Canyon University, including most recently as Dean of the Ken Blanchard College of Business. Dr. Player earned her Doctorate of Education degree in Counseling Psychology from the University of Sarasota, a Master of Business Administration degree and a Master of Science degree in Nursing Leadership from Grand Canyon University, a Master of Science degree in Counseling from Nova Southeastern University, and a Bachelor of Science degree in Nursing from St. Joseph's College.

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

D. Mark Dorman has been serving as a director of Grand Canyon University since 2005. Mr. Dorman is a managing director of Endeavour Capital. Prior to joining Endeavour Capital, Mr. Dorman served as an investment banker at Green Manning & Bunch, a Denver-based investment banking firm focused on merger and acquisition transactions and advisory work for middle-market clients across the West. He also served in the investment banking groups of Boettcher & Company and Morgan Stanley. Mr. Dorman currently sits on the boards of directors of PSI Services Holding Inc. (dba: Policy Studies); SpeeCo, Inc.; Skagit Northwest

Holdings, Inc. (dba: Dri-Eaz Products); and Barrett-Jackson Holdings, LLC (dba: Barrett-Jackson Auction Company). Mr. Dorman received a Bachelor of Science degree from Lewis & Clark College and a Master of Business Administration degree from Harvard Business School.

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

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

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

In conjunction with the hiring of our new management team, we anticipate that John E. Crowley, our Chief Operating Officer, will transition out of his role with us within the next 12 months in order to pursue other interests.

Apollo Group, Inc. and certain of its current and former officers and directors, including Messrs. Mueller and Bachus, are named as defendants in various litigation matters arising out of alleged misconduct in connection with Apollo's stock option grant practices and related financial statement reporting. As disclosed in Apollo Group's most recent Quarterly Report on Form 10-Q, one of these cases, a derivative action, has been settled subject to final Court approval. A securities class action arising from substantially the same facts and allegations is ongoing. In addition to the litigation in connection with the stock grant process, Mr. Bachus was also originally named as a defendant in a securities class action relating to Apollo's disclosures regarding a preliminary Department of Education program review report. Mr. Bachus was dismissed as a defendant in this matter prior to trial. A subsequent jury verdict in plaintiffs' favor in that action has been overturned by the trial court, although the trial court's decision is expected to be appealed. Mr. Bachus also was originally named as a defendant in a related, ongoing derivative action, but was not named in the current, amended complaint in that action.

Board Composition

Our board of directors currently consists of four persons, including two independent directors, Messrs. Heath and Dorman. Effective upon consummation of this offering, our board will consist of at least six directors, our four current directors and our two director-nominees, four of whom will be independent.

Our board of directors has affirmatively determined that each director other than Brent D. Richardson and Christopher C. Richardson, and each director nominee, is "independent," as defined by the Marketplace Rules of the Nasdaq Stock Market. Under the Marketplace Rules, a director can be independent only if the director does not trigger a categorical bar to independence and our board of directors affirmatively determines that the

director does not have a relationship which, in the opinion of our board of directors, would interfere with the exercise of independent judgment by the director in carrying out the responsibilities of a director.

With respect to Messrs. Dorman and Heath, our board of directors considered their roles as managing directors of Endeavour Capital IV, LLC, which is the general partner of the Endeavour Entities, and the fact that the Endeavour Entities own a significant, although non-controlling, number of shares of our capital stock. See “Beneficial Ownership of Common Stock.” In addition, the board of directors considered the fact that we are a party to a professional services agreement with Endeavour Capital IV, LLC, which will terminate by its terms upon the closing of this offering, pursuant to which Endeavour Capital IV, LLC serves as a consultant to our board of directors on business and financial matters in exchange for a consulting fee. See “Certain Relationships and Related Transactions — Endeavour Professional Services Agreement.” The board of directors also considered the fact that we are a party to a stockholders agreement with the Endeavour Entities, which will terminate by its terms upon the closing of this offering, and an investor rights agreement with the Endeavour Entities, among others, in connection with their ownership of our capital stock, portions of which will survive the closing of this offering. See “Certain Relationships and Related Transactions — Stockholders Agreement” and “— Investor Rights Agreement.” After reviewing the existing relationships between us and the Endeavour Entities, and considering that the affiliation between Messrs. Dorman and Heath and the Endeavour Entities will positively align their interests with those of our public stockholders, our board of directors has affirmatively determined (with Messrs. Dorman and Heath abstaining) that, in its judgment, Messrs. Dorman and Heath meet the applicable independence standards established by the Nasdaq Stock Market.

At each annual meeting, our stockholders elect our full board of directors. Directors may be removed at any time for cause by the affirmative vote of the holders of a majority of the voting power then entitled to vote.

Board Committees

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

Audit Committee. Our audit committee will consist of Messrs. Henry (chair) and Johnson, each of whom will be “independent,” as defined under and required by the rules of Nasdaq and the federal securities laws. Mr. Henry also qualifies as an “audit committee financial expert,” as defined by the federal securities laws and required by Nasdaq. Our audit committee will be directly responsible for, among other things, the appointment, compensation, retention, and oversight of our independent registered public accounting firm. The oversight includes reviewing the plans and results of the audit engagement with the firm, approving any additional professional services provided by the firm and reviewing the independence of the firm. Commencing with our first report on internal controls over financial reporting, the committee will be responsible for discussing the effectiveness of the internal controls over financial reporting with the firm and relevant financial management.

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

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

Compensation Committee Interlocks and Insider Participation

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

Limitation of Liability and Indemnification

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

COMPENSATION DISCUSSION AND ANALYSIS

The following discussion and analysis should be read in conjunction with “Compensation of Named Executive Officers” and the related tables that follow.

Overview

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

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

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

Compensation Determinations

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

Objectives of Compensation Programs

We pay our executive officers based on business performance and individual performance, and, in setting compensation levels, we take into consideration our past practices and our current and anticipated future needs, and the relative skills and experience of each individual executive. To date, we have not utilized the services of a compensation consultant and have not engaged in any benchmarking when making policy-level or individual compensation determinations. Rather, compensation decisions to date have been the product of negotiations between Messrs. Heath and Dorman, who constitute all of our non-employee directors, and our named executive officers.

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

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

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

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

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

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

Compensation Programs Design and Elements of Compensation

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

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

- *Base salary.* We typically agree upon a base salary with a named executive officer at the time of initial employment, which may or may not be reflected in an employment agreement. The amount of base salary agreed upon, which is not at risk, reflects our views as to the individual executive's

past experience, future potential, knowledge, scope of anticipated responsibilities, skills, expertise, and potential to add value through performance, as well as competitive industry salary practices. Although minimum base salaries for Brent Richardson, John Crowley, and Chris Richardson are set by their respective employment agreements, as described below, we review executive salaries annually and may adjust them based on an evaluation of the company's performance for the year and the performance of the functional area(s) under an executive's scope of responsibility. For example, base salaries for each of Brent Richardson, John Crowley, and Chris Richardson were increased from \$250,000 in fiscal 2006 to \$292,019 in fiscal 2007 as a result of the growth in our net revenue and Adjusted EBITDA for 2006, which was driven, in part, by the leadership and execution of our strategy by these named executive officers. We also consider qualitative criteria, such as education and experience requirements, complexity, and scope or impact of the position compared to other executive positions internally.

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

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

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

Impact of Performance on Compensation

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

Company performance. In reviewing our performance, we focus principally on the achievement of net revenue and Adjusted EBITDA levels, and on maintaining regulatory compliance. We presently 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, as discussed herein and in Note 2 to our financial statements included with this prospectus, and (ii) management fees and expenses that are no longer paid or that will no longer be payable following completion of this offering. We focus on Adjusted EBITDA in connection with our compensation decisions because we believe that it provides useful information regarding our operating performance and executive performance as it does not give effect to items that management does not consider to be reflective of our core operating performance. See “Management’s Discussion and Analysis of Financial Condition and Results of Operations — Non-GAAP Discussion.” As such, we believe it is fair and reasonable to our executives to assess their individual performance on the same basis as our performance is assessed by our board of directors and investors.

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

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

Conclusion

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

Actions Taken in Current Fiscal Year

Equity Plans. As discussed above, we have historically relied upon base salaries and cash bonuses to attract, motivate and retain our named executive officers. We have adopted a 2008 Equity Incentive Plan, or our Incentive Plan, and a 2008 Employee Stock Purchase Plan, or our ESPP, to enhance the link between the creation of stockholder value and executive incentive compensation and to give our directors, executive officers, and other employees appropriate motivation and rewards for achieving increases in share value. Although Brent Richardson and Chris Richardson are eligible to participate in the Incentive Plan, as a result of their significant ownership stake in us, we do not believe that their motivation will be appreciably enhanced through participation in the Incentive Plan and, at this time, we do not anticipate granting any material awards under the Incentive Plan to them. The Incentive Plan became effective on September 27, 2008 following approval by our stockholders on such date, and the ESPP, which was also approved by our stockholders on September 27, 2008, will be effective upon consummation of this offering.

Incentive Plan. We have authorized and reserved a total of 4,199,937 shares of our common stock for issuance under the Incentive Plan. This reserve automatically increases on a cumulative basis on January 1, 2009 and each subsequent anniversary through 2017, by an amount equal to the smaller of (a) 2.5% of the number of shares of common stock issued and outstanding on the immediately preceding December 31, or (b) a lesser amount determined by our board of directors. We will make appropriate adjustments in the number of authorized shares and other numerical limits in the Incentive Plan and in outstanding awards to prevent dilution or enlargement of participants’ rights in the event of a stock split or other change in our capital structure. Shares subject to awards that expire or are cancelled or forfeited will again become available for

issuance under the Incentive Plan. The shares available will not be reduced by awards settled in cash or by shares withheld to satisfy tax withholding obligations. Only the net number of shares issued upon the exercise of stock appreciation rights or options exercised by means of a net exercise or by tender of previously owned shares will be deducted from the shares available under the Incentive Plan.

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

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

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

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

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

In connection with the initial public offering, we plan to issue 704,923 fully vested and 2,492,256 unvested stock options with an exercise price equal to the initial public offering price to employees and a director under this Incentive Plan.

ESPP. We have authorized and reserved a total of 1,049,984 shares of our common stock for sale under the ESPP. In addition, the ESPP provides for an automatic annual increase in the number of shares available for issuance under the plan on January 1 of each year beginning in 2009 and continuing through and including January 1, 2017 equal to the lesser of (a) 1.0% of our then issued and outstanding shares of common stock on the immediately preceding December 31, (b) 1,049,984 shares, or (c) a number of shares as our board of directors may determine. We will make appropriate adjustments in the number of authorized shares and in outstanding purchase rights to prevent dilution or enlargement of participants' rights in the event of a stock split or other change in our capital structure. Shares subject to purchase rights which expire or are canceled will again become available for issuance under the ESPP.

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

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

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

The maximum number of shares a participant may purchase in any three-month offering period will be the lesser of (a) that number of shares determined by multiplying (i) 100 shares by (ii) the number of months (rounded to the nearest whole month) in the offering period and rounding to the nearest whole share, or (b) that number of whole shares determined by dividing (i) the product of \$1,979.17 and the number of months (rounded to the nearest whole month) in the offering period and rounding to the nearest whole dollar by (ii) the fair market value of a share of our common stock at the beginning of the offering period. Prior to the beginning of any offering period, the administrator may alter the maximum number of shares that may be purchased by any participant during the offering period or specify a maximum aggregate number of shares that may be purchased by all participants in the offering period. If insufficient shares remain available under the plan to permit all participants to purchase the number of shares to which they would otherwise be entitled, the administrator will make a pro rata allocation of the available shares. Any amounts withheld from participants' compensation in excess of the amounts used to purchase shares will be refunded.

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

Executive Employment Agreements. Effective July 1, 2008, we entered into employment agreements with Brian E. Mueller, Daniel E. Bachus, and W. Stan Meyer that govern the terms of their service as our

Chief Executive Officer, Chief Financial Officer, and Executive Vice President, respectively. Effective September 10, 2008, we entered into new employment agreements with each of Brent D. Richardson and Chris C. Richardson. Each agreement has a four-year term and automatically renews for one year periods after the initial four-year term unless either party provides written notice that it does not wish to renew the respective agreement. Except with respect to certain items of compensation, as described below, the terms of each agreement are similar in all material respects.

The agreement with each of Brent Richardson and Chris Richardson provides for a base salary of \$297,500, entitles each to receive performance bonuses as determined by the board based upon Grand Canyon University's achievement of performance, budgetary, and other objectives, as set in advance by the board. The agreements do not set a target performance bonus amount and, as discussed elsewhere in this prospectus, although Brent Richardson and Chris Richardson are eligible to participate in the Incentive Plan, we do not anticipate granting any material awards under the Incentive Plan to them and their agreements do not provide for any such awards.

The agreement with Mr. Mueller provides for a base salary of \$500,000 per year and a fixed bonus of \$250,000 for 2008. It also entitles Mr. Mueller to earn incentive compensation for future years targeted at 100% of his base salary, subject to the satisfaction of criteria to be established by our compensation committee. Subject to the approval of the compensation committee and immediately prior to the completion of this offering, Mr. Mueller is also entitled to receive (i) a grant of an option to purchase approximately 1.0 million shares of our common stock, which will vest ratably, on an annual basis, over a five-year period, and (ii) a grant of 104,998 shares of our common stock which shares shall be fully vested on the grant date. The shares subject to the foregoing grants will have a grant or exercise price equal to the initial public offering price.

The agreement with Mr. Bachus provides for a base salary of \$275,000 per year and a fixed bonus of \$68,750 for 2008. It also entitles Mr. Bachus to earn incentive compensation for future years targeted at 50% of his base salary, subject to the satisfaction of criteria to be established by our compensation committee. Subject to the approval of the compensation committee and immediately prior to the completion of this offering, Mr. Bachus is also entitled to receive a grant of an option to purchase approximately 0.4 million shares of our common stock, which will vest ratably, on an annual basis, over a five-year period and will have an exercise price equal to the initial public offering price.

The agreement with Mr. Meyer provides for a base salary of \$300,000 per year and a fixed bonus of \$75,000 for 2008. It also entitles Mr. Meyer to earn incentive compensation for future years targeted at 50% of his base salary, subject to the satisfaction of criteria to be established by our compensation committee. Subject to the approval of the compensation committee and immediately prior to the completion of this offering, Mr. Meyer is also entitled to receive a grant of an option to purchase approximately 0.4 million shares of our common stock, which will vest ratably, on an annual basis, over a five-year period and will have an exercise price equal to the initial public offering price.

The number of shares actually issued or granted to Messrs. Mueller, Meyer, and Bachus will be based on the number of shares outstanding after the offering and after giving effect to the conversion of our Series A preferred stock and Series C preferred stock. The outstanding shares of Series C preferred stock convert into shares of common stock upon the closing of the offering based on a conversion price equal to the initial public offering price per share, and for purposes of calculating the share numbers above, we have assumed an initial public offering price of \$19.00 per share, which is the midpoint of the range set forth on the cover page of this prospectus.

Each agreement entitles the executive to receive customary and usual fringe benefits generally available to our senior management, and to be reimbursed for reasonable out-of-pocket business expenses.

The agreements prohibit the executives from engaging in any work that creates an actual conflict of interest with us, and include customary non-competition and non-solicitation covenants that prohibit the executives, during their employment with us and for 12 months thereafter, from (i) owning (except ownership of less than 1% of any class of securities which are listed for trading on any securities exchange or which are traded in the over the counter market), managing, controlling, participating in, consulting with, rendering

services for, or in any manner engaging in the operation of a for-profit, postsecondary education institution or any other business that is in the same line of business as us; (ii) soliciting funds on behalf of, or for the benefit of, any for-profit, postsecondary education institution (other than us) or any other entity that competes with us; (iii) soliciting our current or prospective students to be students for any other for-profit, postsecondary education institution; (iv) inducing or attempting to induce any of our employees to leave our employ, or in any way interfering with the relationship between us and any of our employees; or (v) inducing or attempting to induce any of our students, customers, suppliers, licensees, or other business partners to cease doing business with, or modify its business relationship with, us, or in any way interfere with or hinder the relationship between any such student, customer, supplier, licensee, or business partner and us. Each of the executives has separately entered into a confidentiality agreement with us.

The agreements also entitle the executives to certain benefits upon their respective separations from us. If the executives are terminated for cause (as defined in the agreement) or resign without good reason (as defined in the agreement), the executives are entitled only to their respective base salary, pro rated to the date of separation. If the executives are terminated without cause or resign for good reason, subject to their respective compliance with the covenants described above and execution of a full release of all claims against us, the executives will be entitled to receive 12 months of base salary, as in effect at the time of separation, payable in accordance with our payroll cycle and in compliance with Section 409A of the Code, 12 months of COBRA premiums, and partial acceleration of the vesting of their stock options to the next vesting date. If, within the 12 months after a change in control (as defined in the agreement), the executives are terminated other than for cause or they resign for good reason, they shall be entitled to the same severance package as described above for similar separation reasons, plus the full vesting of all stock options held by the executives.

Named Executive Officer Salary Adjustments. Effective January 1, 2008, the base salary of each of Brent Richardson, John Crowley, and Chris Richardson was increased by \$5,000 per year to \$297,500.

Other than as described above, there have been no other material changes to items of compensation applicable to our named executive officers or directors for fiscal 2008.

Compensation of Named Executive Officers

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

2007 SUMMARY COMPENSATION TABLE

<u>Name and Position</u>	<u>Year</u>	<u>Salary⁽¹⁾</u>	<u>Bonus⁽²⁾</u>	<u>All Other Compensation</u>	<u>Total</u>
Brent D. Richardson <i>Chief Executive Officer</i>	2007	\$ 292,019	\$ —	\$ 15,312 ⁽³⁾	\$ 307,331
John E. Crowley <i>Chief Operating Officer</i>	2007	292,019	14,000	—	306,019
Christopher C. Richardson <i>General Counsel</i>	2007	292,019	—	—	292,019
Timothy R. Fischer ⁽⁴⁾ <i>Chief Administrative Officer</i>	2007	194,500	25,000	—	219,500
Michael S. Lacrosse <i>Chief Information Officer</i>	2007	160,385	25,000	—	185,385

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

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

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

(4) Mr. Fischer was appointed our Chief Administrative Officer effective July 1, 2008. During 2007, he served as our Chief Financial Officer.

Employment Agreements

We were a party to employment agreements with Brent D. Richardson, John E. Crowley, and Christopher C. Richardson relating to 2007 compensation. In 2008, we entered into employment agreements with Brian E. Mueller, Daniel E. Bachus, and W. Stan Meyer and new employment agreements with Brent D. Richardson and Chris C. Richardson. Our board of directors approved the terms of each agreement. The material terms of the agreements with Messrs. Richardson, Crowley, and Richardson, which governed their 2007 compensation, are summarized below. See “Actions Taken in Current Fiscal Year — Executive Employment Agreements” for a summary of the terms of the new agreements with Brent and Chris Richardson and the agreements with Messrs. Mueller, Bachus, and Meyer.

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

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

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

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

Severance and Change of Control Payments. The employment agreements with Brent Richardson, John Crowley, and Chris Richardson entitle them to certain severance payments and other benefits in the event of certain types of terminations, which are summarized below. The table below reflects the amount of compensation to be paid to each of them in the event of termination of such executive's employment. The amounts shown assume that such termination was effective as of December 31, 2007, and thus includes amounts earned through such time and are estimates of the amounts that would be paid out to the executives upon their termination. All payments will comply with Section 409A of the Code, to the extent Section 409A applies. The actual amounts to be paid out can only be determined at the time of such executive's separation from the company.

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

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- (1) “Good Reason” is generally defined in the employment agreements to include a resignation within 30 days after the occurrence of any one of the following: (a) the failure by us to pay amounts owed to the executive following 15 days prior written notice of such failure; (b) the assignment to the executive of duties materially inconsistent with the executive’s title or the failure to elect or reelect the executive to his position; or (c) a requirement by us that the executive perform services at a location that is more than 50 miles from our main campus.
 - (2) “Cause” is generally defined in the employment agreements to include: (a) the executive’s commission of a felony or crime involving moral turpitude, any other willful act or omission involving dishonesty or fraud with respect to us or our customers or suppliers, misappropriation of our funds or assets for personal use or engaging in conduct bringing substantial public disgrace or disrepute to us; (b) the executive’s neglect of duties following notice, gross misconduct in performance of duties or material and repeated failure to perform duties; (c) the executive’s engaging in conduct that constitutes cause for separation under applicable law, and (d) the executive’s breaching the confidentiality, non-competition, non-solicitation, and non-disparagement covenants applicable to him.
 - (3) Assumes that, in the case of Chris Richardson and John Crowley, we exercise our option to extend severance payments beyond the required six month period, as described in the table above. Also assumes health insurance premiums of \$696.20 per month, \$248.74 per month, and \$696.20 per month for Brent Richardson, John Crowley, and Chris Richardson, respectively, over the periods indicated.

Compensation of Directors

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

Beginning upon the completion of this offering, we intend to pay our non-employee directors an annual cash retainer of \$30,000 for their board service and a per meeting fee of \$2,000 for each meeting of the board attended. We also intend to pay the members of our audit, compensation, and nominating and corporate governance committees an additional annual cash retainer of \$5,000, with the chair of the audit committee receiving an additional annual cash retainer of \$5,000, and the chairs of the other committees each receiving an additional annual cash retainer of \$2,500. In addition, non-employee directors will be eligible to receive awards under our Incentive Plan valued at \$35,000 per year. We will reimburse all directors for reasonable expenses incurred to attend our board and board committee meetings.

Effective upon completion of this offering, we anticipate that we will appoint David J. Johnson, one of our director-nominees, as our lead independent director. For such services, Mr. Johnson would receive (i) a grant of an option to purchase approximately 0.1 million shares of our common stock equal, which will vest ratably, on an annual basis, over a three-year period, and (ii) in addition to the other items of compensation specified herein, an annual retainer of \$33,333, payable in quarterly installments. The number of shares actually issued or granted to Mr. Johnson will be based on the number of shares outstanding after the offering and after giving effect to the conversion of our Series A preferred stock and Series C preferred stock. The outstanding shares of Series C preferred stock convert into shares of common stock upon the closing of the offering based on a conversion price equal to the initial public offering price per share, and for purposes of calculating the share number above, we have assumed an initial public offering price of \$19.00 per share, which is the midpoint of the range set forth on the cover page of this prospectus.

CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS

Policies and Procedures for Related Person Transactions

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

Stockholders Agreement

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

Investor Rights Agreement

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

Voting Agreement

As discussed in "Regulation — Regulatory Standards that May Restrict Institutional Expansion or Other Changes — Change in Ownership Resulting in a Change in Control," the Department of Education and many states and accrediting commissions require institutions of higher education to report or obtain approval of certain changes in control and changes in other aspects of institutional organization or control. In connection with this offering, certain of our stockholders have entered into a proxy and voting agreement, which will become effective upon the closing of the offering, pursuant to which such persons will grant to Brent D. Richardson, our Executive Chairman, and Christopher C. Richardson, our General Counsel and director, a five-year irrevocable proxy to exercise voting

authority with respect to all shares of our common stock on an as-converted basis held by such persons, excluding shares of common stock issued upon conversion of the Series A convertible preferred shares held by 220 GCU, L.P., with the result that, upon the closing of this offering, the Richardsons will have voting authority with respect to approximately 45.3% of our outstanding shares of capital stock. See “Beneficial Ownership of Common Stock.”

Endeavour Professional Services Agreement

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

Financing Transactions

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

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

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

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

Special Distribution

We will pay a special distribution of 75% of the gross proceeds of this offering, including any proceeds we receive from the underwriters' exercise of their over-allotment option, that will be paid promptly upon the completion of this offering (and following the exercise of the over-allotment option, if applicable) to our stockholders of record as of September 26, 2008. The payment of the special distribution with the gross proceeds of this offering permits a return of capital to all of our stockholders of record as of the record date, and does so without significantly decreasing our capital resources or requiring these stockholders to sell their shares. Assuming an initial public offering price of \$19.00 per share, which is the midpoint of the price range set forth on the cover page of this prospectus, we estimate that the amount of the special distribution will be \$149.6 million, or \$4.75 per common share on an as-if converted basis (exclusive of any amounts that may be received from the underwriters' exercise of the over-allotment option).

Each \$1.00 increase or decrease in the assumed public offering price of \$19.00 per share would increase or decrease, as applicable, the aggregate amount of the special distribution by \$7.9 million and the per share amount of the special distribution by \$0.25, assuming the number of shares offered by us, as set forth on the cover page of this prospectus, remains the same. Similarly, any increase or decrease in the number of shares that we sell in the offering will increase or decrease the special distribution in proportion to such increase or decrease, as applicable, multiplied by the offering price per share.

Of the estimated aggregate amount of the special distribution, \$81.1 million will be paid in respect of shares of our capital stock over which our directors and executive officers are deemed to exercise sole or shared voting or investment power. These proceeds will be allocated among our directors and executive officers, as well as persons known to us to own beneficially 5% or more of our outstanding common stock, as set forth in the following table.

Name of Beneficial Owner	Date of Acquisition of Shares to Which Special Distribution Relates	Original Acquisition Cost of Shares to Which Special Distribution Relates(1)	Amount of Special Distribution(2)
(In thousands)			
5% Stockholders			
Endeavour Capital Fund IV, L.P. and affiliates(3)			
Series A convertible preferred stock	August 24, 2005	\$ 16,000	\$ 42,917
Series C preferred stock	December 18, 2007	5,863	2,931
Total		21,863	45,849
220 GCU, L.P. and affiliates(4)			
Common stock	February 2, 2004	3,042	22,423
Series A convertible preferred stock	August 24, 2005	3,250	8,717
Series C preferred stock	December 18, 2007	3,271	1,636
Total		9,563	32,776
Staci L. Buse(5)			
Common stock	February 2, 2004	1,443	16,299
Series C preferred stock	December 18, 2007	934	467
Total		2,377	16,776
Significant Ventures, LLC			
Common stock	February 2, 2004	36	12,363
Series C preferred stock	December 18, 2007	1,223	611
Total		1,259	12,974
Directors			
Chad N. Heath(3)			
Series A convertible preferred stock	August 24, 2005	16,000	42,917
Series C preferred stock	December 18, 2007	5,863	2,931
Total		21,863	45,849

Name of Beneficial Owner	Date of Acquisition of Shares to Which Special Distribution Relates	Original Acquisition Cost of Shares to Which Special Distribution Relates(1)	Amount of Special Distribution(2)
		(In thousands)	
D. Mark Dorman(3)			
Series A convertible preferred stock	August 24, 2005	16,000	42,917
Series C preferred stock	December 18, 2007	5,863	2,931
Total		21,863	45,849
Executive Officers			
Brent D. Richardson(5)			
Common stock	February 2, 2004	1,443	16,299
Series C preferred stock	December 18, 2007	934	467
Total		2,377	16,776
John E. Crowley(6)			
Common stock	February 2, 2004	164	1,678
Series C preferred stock	December 18, 2007	117	58
Total		281	1,736
Christopher C. Richardson(5)			
Common stock	February 2, 2004	1,443	16,308
Series C preferred stock	December 18, 2007	934	467
Total		2,377	16,775
All directors and executive officers as a group		\$ 26,898	\$ 81,127

- (1) On August 24, 2005, we converted from a limited liability company to a taxable corporation. The reported acquisition cost of shares of common stock represents the value of the capital contributions originally made to acquire the limited liability company interests that were converted into common stock upon such conversion plus capital contributions for which no additional interests were issued, less capital distributions.
- (2) The special distribution is being paid in respect of our common stock, Series A convertible preferred stock, and Series C preferred stock, in each case on an as-converted basis. Upon the closing of this offering, shares of the Series A convertible preferred stock will convert into shares of common stock on a 1,826-for-one basis and shares of the Series C preferred stock will convert into shares of common stock at a rate equal to their liquidation preference per share divided by the initial public offering price per share, which is estimated to be \$19.00 per share, which is the midpoint of the range set forth on the cover page of this prospectus.
- (3) Represents shares held of record by the Endeavour Entities. Messrs. Chad N. Heath and D. Mark Dorman, each of whom is a managing director of Endeavor Capital IV, LLC., the general partner of each of the Endeavour Entities, are members of our board of directors.
- (4) Represents shares held of record by 220 GCU, L.P., 220 Education, L.P., 220-SigEd, L.P., and SV One, L.P.
- (5) Represents shares held of record by Rich Crow Enterprises, LLC and Masters Online, LLC, of which Brent Richardson, Chris Richardson, and Staci Buse are members and, in each case, which are attributable to, and beneficially owned by, Brent Richardson, Chris Richardson, or Staci Buse, as applicable.
- (6) Represents shares held of record by Rich Crow Enterprises, LLC, of which John Crowley is a member, which are attributable to, and beneficially owned by, John Crowley.

For additional information regarding share ownership, see “Beneficial Ownership of Common Stock.”

Arrangement with Mind Streams

We are a party to an agreement with Mind Streams, LLC, which is owned and operated, in part, by Gail Richardson, father to Brent Richardson, our Executive Chairman, and Chris Richardson, our General Counsel and a director. Pursuant to this agreement, Mind Streams identifies qualified applicants for admission to Grand Canyon University in return for which it is paid a stated percentage of the net revenue (calculated as tuition actually received, less scholarships, refunds, and allowances) derived by us from those identified applicants that matriculate at Grand Canyon University. The term of the agreement runs through December 31, 2010, and can be terminated by either party upon 45 days' prior written notice. We previously were a party to an agreement with 21st Century Learning, which was owned by Gail Richardson, Brent Richardson, and Chris Richardson, providing for a similar revenue sharing arrangement. This agreement was terminated in 2005 when we entered into the agreement with Mind Streams. For the years ended December 31, 2005, 2006 and 2007, and for the six months ended June 30, 2008, we expensed \$2.8 million, \$3.7 million, \$4.3 million, and \$2.9 million, respectively, to these parties pursuant to this arrangement for students enrolled and expenses reimbursed.

Arrowhead Management

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

Center for Educational Excellence

The Center for Educational Excellence, LLC was created to explore opportunities to promote and enhance the academic experience we offer. John Crowley, our Chief Operating Officer, is a member of The Center for Educational Excellence, LLC. For the year ended December 31, 2007 and the six months ended June 30, 2008, we paid approximately \$0.6 million and \$0.2 million, respectively, of expenses incurred by The Center for Educational Excellence, LLC, of which \$0.3 million and \$0, respectively, were reimbursed to us.

Arrangement with Vergo Marketing

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

Youth in Motion Consulting Arrangement

Youth in Motion, Inc. is owned by John Crowley, our Chief Operating Officer. For the years ended December 31, 2005, 2006, and 2007 and the six months ended June 30, 2008, we paid to Youth in Motion, Inc. \$0.2 million, \$0.1 million, \$0, and \$0, respectively, for consulting services rendered.

Significant Ventures Consulting Agreement

Significant Ventures, LLC held approximately 9.3% of our common stock immediately prior to this offering. On January 8, 2004, we entered into a consulting agreement with Significant Ventures, Inc., predecessor to Significant Ventures, LLC. This consulting agreement terminated by its terms on December 31, 2006. For the years ended December 31, 2005, 2006, and 2007 and the six months ended June 30, 2008, we paid \$0.1 million, \$0.4 million, \$0, and \$0, respectively, to Significant Ventures for services rendered and expenses reimbursed pursuant to this arrangement.

220 Consulting Agreement

On January 8, 2004, we entered into a consulting agreement with 220 Partners, LLC, which is affiliated with Charles M. Preston III, one of our former directors who is an affiliate of certain of our significant stockholders. This consulting agreement terminated by its terms on December 31, 2006. For the years ended December 31, 2005, 2006, and 2007 and the six months ended June 30, 2008, we paid \$0.3 million, \$0.3 million, \$0, and \$0, respectively, to 220 Partners, LLC for services rendered and expenses reimbursed pursuant to this arrangement.

BENEFICIAL OWNERSHIP OF COMMON STOCK

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

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

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

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

- The outstanding shares of our Series A convertible preferred stock are converted into 10,870,178 shares of common stock;
- The outstanding shares of our Series C preferred stock, which will convert into common stock upon the closing of the offering based on a conversion price equal to the initial public offering price per share, are converted into 1,410,526 shares of common stock at an initial public offering price of \$19.00 per share, which is the midpoint of the range set forth on the cover page of this prospectus;
- We will issue 10,500,000 shares of common stock in the offering;
- We will grant 104,998 shares of fully vested restricted stock to Brian E. Mueller, and fully vested options to purchase 28,296 shares of our common stock to each of Timothy N. Fischer, Michael S. Lacrosse, and Kathy Player, immediately following the effectiveness of the offering; and
- Brent and Chris Richardson will be granted the right to vote an additional 12,160,950 shares of our common stock as a result of the voting agreement that will be effective upon the closing of this offering, as described in the notes below the table.

	Beneficially Owned Prior to the Offering(1)		Beneficially Owned After Offering		Beneficially Owned After Over-Allotment(2)	
	Shares	Percent	Shares	Percent	Shares	Percent
Principal Stockholders:						
Endeavour Capital Fund IV, L.P. and affiliates(3)	9,652,157	30.6%	9,652,157	22.9%	9,652,157	22.1%
220 GCU, L.P. and affiliates(4)	6,935,807	22.0%	6,935,807	16.5%	6,935,807	15.9%
Staci L. Buse(5)	3,445,801	10.9%	3,445,801	8.2%	3,445,801	7.9%
Significant Ventures, LLC(6)	2,896,051	9.2%	2,896,051	6.9%	2,896,051	6.6%
Directors and Executive Officers:						
Brent D. Richardson(7)(10)	3,445,801	10.9%	19,053,417	45.3%	19,053,417	43.6%
Brian E. Mueller	—	—	104,998	*	104,998	*
John E. Crowley(8)	394,728	1.3%	394,728	*	394,728	*
Christopher C. Richardson(9)(10)	3,446,666	10.9%	19,053,417	45.3%	19,053,417	43.6%
Daniel E. Bachus	—	—	—	—	—	—
W. Stan Meyer	—	—	—	—	—	—
Timothy N. Fischer	—	—	28,296	*	28,296	*
Michael S. Lacrosse	—	—	28,296	*	28,296	*
Kathy Player	—	—	28,296	*	28,296	*
Chad N. Heath(11)	9,652,157	30.6%	9,652,157	22.9%	9,652,157	22.1%
D. Mark Dorman(11)	9,652,157	30.6%	9,652,157	22.9%	9,652,157	22.1%
David J. Johnson	—	—	—	—	—	—
Jack A. Henry	—	—	—	—	—	—
All directors, director-nominees, and executive officers as a group (12 persons)	16,939,352	53.8%	28,895,460	68.5%	28,895,460	66.0%

* Represents beneficial ownership of less than 1%

- (1) The percentage of beneficial ownership as to any person as of a particular date is calculated by dividing the number of shares beneficially owned by such person, which includes the number of shares as to which such person has the right to acquire voting or investment power within 60 days after such date, by the sum of the number of shares outstanding as of such date plus the number of shares as to which such person has the right to acquire voting or investment power within 60 days after such date. Consequently, the denominator for calculating beneficial ownership percentages may be different for each beneficial owner.
- (2) Amounts presented assume that the over-allotment option is exercised in full.
- (3) Consists of:
 - 7,692,938 shares of common stock issuable upon the conversion of shares of Series A convertible preferred stock and approximately 525,402 shares of common stock issuable upon the conversion of shares of Series C preferred stock, in each case held of record by Endeavour Capital Fund IV, L.P.;
 - 471,108 shares of common stock issuable upon the conversion of shares of Series A convertible preferred stock and approximately 32,215 shares of common stock issuable upon the conversion of shares of Series C preferred stock, in each case held of record by Endeavour Associates Fund IV, L.P.; and
 - 871,002 shares of common stock issuable upon the conversion of shares of Series A convertible preferred stock and approximately 59,493 shares of common stock issuable upon the conversion of shares of Series C preferred stock, in each case held of record by Endeavour Capital Parallel Fund IV, L.P.

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

(4) Consists of

- 1,835,130 shares of common stock issuable upon the conversion of shares of Series A convertible preferred stock and approximately 125,341 shares of common stock issuable upon the conversion of shares of Series C preferred stock, in each case held of record by 220 GCU, L.P.;
- 1,297,172 shares of common stock and approximately 59,728 shares of common stock issuable upon the conversion of shares of Series C preferred stock, in each case held of record by 220 Education, L.P.;
- 1,037,752 shares of common stock and approximately 47,784 shares of common stock issuable upon the conversion of shares of Series C preferred stock, in each case held of record by 220-SigEd, L.P.; and
- 2,421,404 shares of common stock and approximately 111,495 shares of common stock issuable upon the conversion of shares of Series C preferred stock, in each case held of record by SV One, L.P.

220 Management, LLC is the general partner of 220 GCU GP, L.P. and SV One GP, L.P., which are the general partners of 220 GCU, L.P. and SV One L.P., respectively. 220 Management, LLC is also the general partner of 220 Education, L.P., which is the general partner of 220 SigEd, L.P. 220 Management, LLC has dispositive power with respect to the shares held by 220 GCU, L.P., 220 Education, L.P., 220 SigEd, L.P., and SV One, L.P., which we collectively refer to as the 220 Entities, and is affiliated with Charles M. Preston III, one of our former directors who directly or indirectly controls 220 Education, L.P. The address for these entities is c/o 220 Partners, LLC, One American Center, 600 Congress Avenue, Suite 200, Austin, Texas 78701. Pursuant to a proxy and voting agreement to be effective upon the closing of this offering, Messrs. Brent Richardson and Chris Richardson have voting power over the shares beneficially owned by the 220 Entities other than the shares of common stock issuable upon conversion of the Series A convertible preferred stock. Each of Messrs. Brent Richardson and Chris Richardson disclaim beneficial ownership of such shares, except to the extent of such voting interest.

- (5) Consists of 3,347,452 shares of common stock held of record by Rich Crow Enterprises, LLC and Masters Online, LLC and 98,349 shares of common stock issuable upon the conversion of Series C preferred stock held of record by Rich Crow Enterprises, LLC, in each case which are attributable to, and beneficially owned by, Ms. Staci L. Buse, who is the sister of Brent Richardson and Chris Richardson. Pursuant to a proxy and voting agreement to be effective upon the closing of this offering, Messrs. Brent Richardson and Chris Richardson have voting power over the shares beneficially owned by Ms. Buse. Each of Messrs. Brent Richardson and Chris Richardson disclaims beneficial ownership of such shares, except to the extent of such voting interest.
- (6) Consists of 2,767,321 shares of common stock and approximately 128,730 shares of common stock issuable upon the conversion of shares of Series C preferred stock. Michael Clifford is the managing director of and has dispositive power with respect to the shares held by Significant Ventures, LLC. The address for Significant Ventures, LLC is 243 North Highway 101, Suite 11, Solana Beach, California 92075. Pursuant to a proxy and voting agreement to be effective upon the closing of this offering, Messrs. Brent Richardson and Chris Richardson have voting power over the shares beneficially owned by Significant Ventures, LLC. Each of Messrs. Brent Richardson and Chris Richardson disclaim beneficial ownership of such shares, except to the extent of such voting interest.
- (7) Prior to this offering, the total for Brent D. Richardson consists of 3,347,452 shares of common stock held of record by Rich Crow Enterprises, LLC and Masters Online, LLC and 98,349 shares of common stock issuable upon the conversion of Series C preferred stock held of record by Rich Crow Enterprises, LLC, in each case which are attributable to, and beneficially owned by, Mr. Richardson.
- (8) Consists of 382,435 shares of common stock and approximately 12,294 shares of common stock issuable upon the conversion of Series C preferred stock, in each case held of record by Rich Crow Enterprises, LLC, in each case which are attributable to, and beneficially owned by, Mr. John Crowley. Pursuant to a proxy and voting agreement to be effective upon the closing of this offering, Messrs. Brent Richardson

and Chris Richardson have voting power over the shares beneficially owned by Mr. Crowley. Each of Messrs. Brent Richardson and Chris Richardson disclaim beneficial ownership of such shares, except to the extent of such voting interest.

- (9) Prior to this offering, the total for Christopher C. Richardson consists of 3,348,317 shares of common stock held of record by Rich Crow Enterprises, LLC and Masters Online, LLC and 98,349 shares of common stock issuable upon conversion of Series C preferred stock held of record by Rich Crow Enterprises, LLC, in each case which are attributable to, and beneficially owned by, Mr. Richardson.
- (10) Following this offering, the total for Brent D. Richardson and Christopher C. Richardson consists of:
- 3,347,452 shares of common stock held of record by Rich Crow Enterprises, LLC and Masters Online, LLC and 98,349 shares of common stock issuable upon the conversion of Series C preferred stock held of record by Rich Crow Enterprises, LLC, in each case which are attributable to, and beneficially owned by, Mr. Brent D. Richardson.
 - 3,348,317 shares of common stock held of record by Rich Crow Enterprises, LLC and Masters Online, LLC and 98,349 shares of common stock issuable upon conversion of Series C preferred stock held of record by Rich Crow Enterprises, LLC, in each case which are attributable to, and beneficially owned by, Mr. Christopher C. Richardson.
 - 3,347,452 shares of common stock held of record by Rich Crow Enterprises, LLC and Masters Online, LLC and 98,349 shares of common stock issuable upon the conversion of Series C preferred stock held of record by Rich Crow Enterprises, LLC, in each case which are attributable to, and beneficially owned by, the sister of Messrs. Brent Richardson and Chris Richardson.
 - 382,435 shares of common stock held of record by Rich Crow Enterprises, LLC and approximately 12,294 shares of common stock issuable upon the conversion of Series C preferred stock held of record by Rich Crow Enterprises, LLC, in each case which are attributable to, and beneficially owned by, Mr. John Crowley.
 - The shares held by the 220 Entities and the shares held by Significant Ventures, as described in Notes (4) and (5) above.
 - 310,694 shares of common stock and 12,998 shares of common stock issuable upon the conversion of Series C preferred stock held of record by other stockholders.

Pursuant to a proxy and voting agreement to be effective upon the closing of this offering, Messrs. Brent Richardson and Chris Richardson have voting power over the shares beneficially owned by their sister and by Mr. Crowley, as well as those covered by the 220 Entities (except as noted in note (4) above), Significant Ventures, and the other stockholders. Each of Messrs. Brent Richardson and Chris Richardson disclaims beneficial ownership of such shares, except to the extent of such voting interest.

- (11) Consists of 9,035,048 shares of common stock issuable upon conversion of Series A convertible preferred stock and 617,109 shares of common stock issuable upon the conversion of Series C preferred stock, in each case held of record by the Endeavour Entities (see note (3) above). Messrs. Chad N. Heath and D. Mark Dorman, each of whom is a managing member of Endeavour Capital IV, LLC, the general partner of the Endeavour Entities, and serves on our board of directors, disclaim beneficial ownership of these shares except to the extent of his respective pecuniary interest.

DESCRIPTION OF CAPITAL STOCK

General

The following description of our capital stock summarizes provisions of our certificate of incorporation and bylaws as they will be in effect upon completion of the offering. As of the date of this prospectus, our authorized capital stock consists of 100,000,000 shares of common stock, \$0.01 par value per share, and 15,800 shares of preferred stock, \$0.01 par value per share, of which 9,700 are designated as Series A convertible preferred stock, 2,200 are designated as Series B preferred stock (which are no longer outstanding) and 3,900 are designated as Series C preferred stock. Immediately after completion of this offering, after giving effect to the conversion of our outstanding Series A convertible preferred stock and Series C preferred stock into common stock and the effectiveness of our amended and restated certificate of incorporation, our authorized capital stock will consist of 100,000,000 shares of common stock, \$0.01 par value per share, and 10,000,000 shares of undesignated preferred stock, \$0.01 par value per share.

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

Common Stock

As of June 30, 2008, there were 31,499,354 shares of our common stock outstanding and held of record by fourteen stockholders, assuming conversion of all outstanding shares of Series A preferred stock into 10,870,178 shares of common stock and all outstanding shares of Series C preferred stock into 1,410,526 shares of common stock based on a conversion price equal to the initial public offering price per share, which is estimated to be \$19.00 per share, which is the midpoint of the range set forth on the cover page of this prospectus.

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

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

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

Undesignated Preferred Stock

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

delaying, deferring or preventing a change in control of our company and may adversely affect the market price of our common stock and the voting and other rights of the holders of common stock.

Warrants

As of June 30, 2008, we had outstanding a warrant to purchase an aggregate of 909,348 shares of our common stock at an exercise price of approximately \$0.58 per share, subject to adjustments to the exercise price and number of shares of common stock underlying these warrants upon the occurrence of specified events, including any recapitalization, consolidation or merger, or sale of all assets. Under the original terms of the warrant, we were entitled to repurchase the warrant for an aggregate price of \$16.0 million. Under an amendment to the warrant that was effected in connection with our 2005 conversion from a limited liability company to a corporation, the right to repurchase the warrant, as well as a right to repurchase any shares issued upon exercise of the warrant, in each case for \$16.0 million, was transferred to a holding company owned by our original investors. In connection with this offering, if the members of the holding company do not exercise such right, then we will exercise the right to repurchase the warrant or the underlying shares. Based on indications of interest received from such members to date, we expect to use at least \$9.4 million and up to \$16.0 million of the net proceeds of this offering to repurchase any portion of the warrant or the underlying shares not purchased by such members. Following such repurchase and depending upon whether any members purchase a portion of the warrant, following the closing of the offering we would have between zero and 374,678 shares of common stock issuable upon exercise of outstanding warrants. See “Use of Proceeds” for further information.

Registration Rights

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

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

Charter and Bylaw Provisions

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

Board Composition and Filling Vacancies. Our bylaws will provide that directors may be removed only for cause by the affirmative vote of the holders of a majority of the voting power of all the outstanding shares

of capital stock entitled to vote generally in the election of directors voting together as a single class. Furthermore, any vacancy on our board of directors, however occurring, including a vacancy resulting from an increase in the size of our board, may only be filled by the affirmative vote of a majority of our directors then in office even if less than a quorum.

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

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

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

Amendment to Bylaws and Charter. As required by the DGCL, any amendment of our charter must first be approved by a majority of our board of directors and, if required by law or our charter, thereafter be approved by a majority of the outstanding shares entitled to vote on the amendment, and a majority of the outstanding shares of each class entitled to vote thereon as a class, except that the amendment of the provisions relating to stockholder action, directors, limitation of liability and the amendment of our bylaws and certificate of incorporation must be approved by no less than 66²/₃ percent of the voting power of all of the shares of capital stock issued and outstanding and entitled to vote generally in any election of directors, voting together as a single class. Our bylaws may be amended by the affirmative vote of a majority vote of the directors then in office, subject to any limitations set forth in the bylaws; and may also be amended by the affirmative vote of at least 66²/₃ percent of the voting power of all of the shares of capital stock issued and outstanding and entitled to vote generally in any election of directors, voting together as a single class.

Blank Check Preferred Stock. Our charter will provide for 10,000,000 authorized shares of preferred stock. The existence of authorized but unissued shares of preferred stock may enable our board of directors to render more difficult or to discourage an attempt to obtain control of us by means of a merger, tender offer, proxy contest, or otherwise. For example, if in the due exercise of its fiduciary obligations, our board of directors were to determine that a takeover proposal is not in the best interests of us or our stockholders, our board of directors could cause shares of preferred stock to be issued without stockholder approval in one or more private offerings or other transactions that might dilute the voting or other rights of the proposed acquirer or insurgent stockholder or stockholder group. In this regard, our certificate of incorporation grants our board of directors broad power to establish the rights and preferences of authorized and unissued shares of preferred stock. The issuance of shares of preferred stock could decrease the amount of earnings and assets available for distribution to holders of shares of common stock. The issuance may also adversely affect the rights and powers, including voting rights, of these holders and may have the effect of delaying, deterring, or preventing a change in control of us.

Section 203 of the Delaware General Corporate Law

Upon completion of this offering, we will be subject to the provisions of Section 203 of the DGCL. In general, Section 203 prohibits a publicly held Delaware corporation from engaging in a “business combination” with an “interested stockholder” for a three-year period following the time that this stockholder becomes an interested stockholder, unless the business combination is approved in a prescribed manner. A “business combination” includes, among other things, a merger, asset or stock sale, or other transaction

resulting in a financial benefit to the interested stockholder. An “interested stockholder” is a person who, together with affiliates and associates, owns, or did own within three years prior to the determination of interested stockholder status, 15% or more of the corporation’s voting stock. Under Section 203, a business combination between a corporation and an interested stockholder is prohibited unless it satisfies one of the following conditions:

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

Limitations of Director Liability and Indemnification Directors, Officers and Employees

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

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

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

In addition, our bylaws provide that:

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

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

We also intend to maintain general liability insurance that covers certain liabilities of our directors and officers arising out of claims based on acts or omissions in their capacities as directors or officers, including

liabilities under the Securities Act. Insofar as indemnification for liabilities arising under the Securities Act may be permitted to directors, officers, or persons who control Grand Canyon University, we have been informed that in the opinion of the SEC such indemnification is against public policy as expressed in the Securities Act and is therefore unenforceable.

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

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

Nasdaq

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

Transfer Agent and Registrar

The transfer agent and registrar for our common stock is Computershare Trust Company, N.A.

SHARES ELIGIBLE FOR FUTURE SALE

Upon the closing of this offering, we will have outstanding an aggregate of 42,104,352 shares of common stock (inclusive of stock grants made in connection with the offering under the Incentive Plan). Of these shares, 10,500,000 shares of common stock to be sold in this offering, or 12,075,000 shares if the underwriters exercise their over-allotment option in full, will be freely tradable without restriction or further registration under the Securities Act, unless the shares are held by any of our affiliates, as that term is defined in Rule 144 of the Securities Act. All remaining shares were issued and sold by us in private transactions and are eligible for public sale only if registered under the Securities Act or sold in accordance with Rule 144 or Rule 701, each of which is discussed below. In addition, upon completion of this offering, we will have outstanding stock options held by employees and directors for the purchase of 3,212,575 shares of common stock.

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

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

- no shares will be available for sale on the date of this prospectus;
- no shares will be available for sale under Rule 144 or Rule 701 beginning 90 days after the date of this prospectus; and
- all of our shares of common stock shares will be eligible for sale upon the expiration of the lock-up agreements, as more particularly and except as described below, beginning after expiration of the lock-up period pursuant to Rule 144 or Rule 701.

Rule 144

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

- one percent of the number of shares of common stock then outstanding, which will equal approximately 421,044 shares immediately after this offering; and
- the average weekly trading volume of our common stock during the four calendar weeks preceding the filing of a notice on Form 144 with respect to the sale.

All sales under Rule 144 are subject to the availability of current public information about us. Sales under Rule 144 by affiliates or persons who have been affiliates within the previous 90 days are also subject to manner of sale provisions and notice requirements. Upon expiration of the 180-day lock-up period, subject to any extension of the lock-up period under circumstances described below, approximately 31,604,352 shares of our outstanding restricted securities will be eligible for sale under Rule 144.

Registration Statement on Form S-8

We intend to file one or more registration statements on Form S-8 under the Securities Act covering up to 5,249,921 shares of common stock reserved for issuance under our Incentive Plan and our ESPP. These registration statements are expected to be filed soon after the date of this prospectus and will automatically become effective upon filing. Accordingly, shares registered under such registration statements will be available for sale in the open market, unless such shares are subject to vesting restrictions with us or are

otherwise subject to the lock-up agreements and manner of sale and notice requirements that apply to affiliates under Rule 144 described above.

Lock-Up Agreements

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

Registration Rights

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

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

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

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

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

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

Dividends

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

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

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

Gain on Sale or Other Disposition of Common Stock

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

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

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

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

Information Reporting and Backup Withholding

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

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

Proceeds from the disposition of common stock by a Non-U.S. Holder effected by or through a United States office of a broker will be subject to information reporting and backup withholding, currently at a rate of 28% of the gross proceeds, unless the Non-U.S. Holder certifies to the payor under penalties of perjury as to,

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

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

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

Estate Tax

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

UNDERWRITING

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

Underwriter	Number of Shares
Credit Suisse Securities (USA) LLC	
Merrill Lynch, Pierce, Fenner & Smith Incorporated	
BMO Capital Markets Corp.	
William Blair & Company, L.L.C.	
Piper Jaffray & Co.	
Total	10,500,000

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

We have granted to the underwriters a 30-day option to purchase on a pro rata basis up to 1,575,000 additional shares from us at the initial public offering price less the underwriting discounts and commissions. The option may be exercised only to cover any over-allotments of common stock.

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

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

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

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

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

Our directors, executive officers, and stockholders have agreed that they will not offer, sell, contract to sell, pledge, or otherwise dispose of, directly or indirectly, any shares of our common stock or securities

convertible into or exchangeable or exercisable for any shares of our common stock, enter into a transaction that would have the same effect, or enter into any swap, hedge, or other arrangement that transfers, in whole or in part, any of the economic consequences of ownership of our common stock, whether any of these transactions is to be settled by delivery of our common stock or other securities, in cash or otherwise, or publicly disclose the intention to make any offer, sale, pledge, or disposition, or to enter into any transaction, swap, hedge, or other arrangement, without, in each case, the prior written consent of Credit Suisse Securities (USA) LLC and Merrill Lynch, Pierce, Fenner & Smith Incorporated, for a period of 180 days after the date of this prospectus. However, in the event that either (1) during the last 17 days of the “lock-up” period, we release earnings results or material news or a material event relating to us occurs or (2) prior to the expiration of the “lock-up” period, we announce that we will release earnings results during the 16-day period beginning on the last day of the “lock-up” period, then in either case the expiration of the “lock-up” will be extended until the expiration of the 18-day period beginning on the date of the release of the earnings results or the occurrence of the material news or event, as applicable, unless Credit Suisse Securities (USA) LLC and Merrill Lynch, Pierce, Fenner & Smith Incorporated waive such extension in writing.

The underwriters have reserved for sale at the initial public offering price up to approximately 525,000 shares of the common stock for employees, directors, and other persons associated with us who have expressed an interest in purchasing common stock in the offering. The number of shares available for sale to the general public in the offering will be reduced to the extent these persons purchase the reserved shares. Any reserved shares not so purchased will be offered by the underwriters to the general public on the same terms as the other shares.

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

We have applied to list the shares of common stock on the Nasdaq Global Market under the symbol “LOPE.”

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

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

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

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

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

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

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

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

NOTICE TO EUROPEAN ECONOMIC AREA RESIDENTS

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

- (a) to legal entities which are authorized or regulated to operate in the financial markets or, if not so authorized or regulated, whose corporate purpose is solely to invest in securities;
- (b) to any legal entity which has two or more of (1) an average of at least 250 employees during the last financial year; (2) a total balance sheet of more than €43,000,000, and (3) an annual net turnover of more than €50,000,000, as shown in its last annual or consolidated accounts;
- (c) to fewer than 100 natural or legal persons (other than qualified investors as defined in the Prospectus Directive) subject to obtaining the prior consent of the manager for any such offer; or
- (d) in any other circumstances which do not require the publication by us of a prospectus pursuant to Article 3 of the Prospectus Directive.

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

NOTICE TO UNITED KINGDOM RESIDENTS

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

- (a) it has only communicated or caused to be communicated and will only communicate or cause to be communicated an invitation or inducement to engage in investment activity (within the meaning of section 21 of the Financial Services and Markets Act of 2000, or FSMA) to persons who have professional experience in matters relating to investments falling within Article 19(5) of the FSMA (Financial Promotion) Order 2005 or in circumstances in which section 21 of FSMA does not apply to the company; and
- (b) it has complied with, and will comply with all applicable provisions of FSMA with respect to anything done by it in relation to the shares of common stock in, from or otherwise involving the United Kingdom.

NOTICE TO CANADIAN RESIDENTS

Resale Restrictions

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

applicable Canadian securities regulatory authority. Purchasers are advised to seek legal advice prior to any resale of the common stock.

Representations of Purchasers

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

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

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

Rights of Action — Ontario Purchasers Only

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

Enforcement of Legal Rights

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

Taxation and Eligibility for Investment

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

LEGAL MATTERS

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

EXPERTS

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

WHERE YOU CAN FIND MORE INFORMATION

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

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

GRAND CANYON EDUCATION, INC.
INDEX TO FINANCIAL STATEMENTS

	<u>Page</u>
<u>Report of Independent Registered Public Accounting Firm</u>	F-2
<u>Balance Sheets as of December 31, 2006 and 2007 (restated) and June 30, 2008 (unaudited)</u>	F-3
<u>Statements of Operations for the years ended December 31, 2005, 2006, and 2007 (restated) and for the six month periods ended June 30, 2007 and 2008 (unaudited)</u>	F-4
<u>Statements of Preferred Stock and Stockholders' Deficit for the years ended December 31, 2005, 2006, and 2007 (restated) and for the six month period ended June 30, 2008 (unaudited)</u>	F-5
<u>Statements of Cash Flows for the years ended December 31, 2005, 2006, and 2007 (restated) and for the six month period ended June 30, 2008 (unaudited)</u>	F-6
<u>Notes to Financial Statements</u>	F-7

Report of Independent Registered Public Accounting Firm

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

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

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

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

As discussed in Note 3 to the financial statements, the accompanying financial statements as of December 31, 2006 and 2007 and the three years in the period ended December 31, 2007 have been restated for corrections of errors in the Company’s calculations of estimated uncollectible accounts, nonemployee share-based payments, and deferred taxes upon conversion to a taxpaying entity.

/s/ Ernst & Young LLP

Phoenix, Arizona
May 12, 2008, except for Note 3, as to which the date is August 11, 2008, and Note 17, as to which the date is September 29, 2008

Grand Canyon Education, Inc.

Balance Sheets
(In thousands, except share data)

	As of December 31,		June 30,	Pro forma
	2006	2007	2008	June 30, 2008
	(Restated)		(Unaudited)	(Unaudited)
ASSETS				
Current assets:				
Cash and cash equivalents	\$ 14,361	\$ 23,210	\$ 7,206	\$ 7,206
Accounts receivable, net of allowance for doubtful accounts of \$7,380 and \$12,158 at December 31, 2006 and 2007, and \$15,442 at June 30, 2008.	4,798	7,114	6,930	6,930
Due from related parties	—	6,001	455	455
Deferred income taxes	2,984	4,640	4,640	4,640
Prepaid expenses and other current assets	893	1,349	2,317	2,317
Total current assets	23,036	42,314	21,548	21,548
Property and equipment, net	29,017	33,849	36,460	36,460
Restricted cash and investments	3,074	3,298	3,370	3,370
Prepaid royalties	250	317	8,409	8,409
Goodwill	2,941	2,941	2,941	2,941
Deferred income taxes	2,835	2,806	5,308	5,308
Deposit with former owner	—	3,000	—	—
Other assets	79	43	2,512	2,512
Total assets	<u>\$ 61,232</u>	<u>\$ 88,568</u>	<u>\$ 80,548</u>	<u>\$ 80,548</u>
LIABILITIES, PREFERRED STOCK AND STOCKHOLDERS' DEFICIT				
Current liabilities:				
Accounts payable	\$ 3,181	\$ 3,434	\$ 4,532	\$ 4,532
Accrued liabilities	3,044	6,893	6,582	156,207
Income taxes payable	2,535	241	1,646	1,646
Deferred revenue and student deposits	6,133	10,369	10,973	10,973
Royalty payable to former owner	3,646	7,428	—	—
Due to related parties	836	1,005	1,472	1,472
Line of credit	—	6,000	—	—
Current portion of capital lease obligations	949	1,150	1,132	1,132
Current portion of notes payable	374	646	412	412
Total current liabilities	20,698	37,166	26,749	176,374
Capital lease obligations, less current portion	28,779	28,078	28,288	28,288
Notes payable, less current portion	2,088	1,762	1,482	1,482
Total liabilities	51,565	67,006	56,519	206,144
Commitments and contingencies				
Series A convertible preferred stock, \$0.01 par value:				
Authorized — 7,500 shares at December 31, 2006, and 9,700 shares at December 31, 2007 and June 30, 2008				
Issued and outstanding — 5,953 shares at December 31, 2006, 2007 and June 30, 2008				
Liquidation value — \$57,750 at December 31, 2007 and June 30, 2008	18,610	18,610	18,610	18,610
Series B 12% preferred stock, \$0.01 par value:				
Authorized — 2,200 shares at December 31, 2006, 2007 and June 30, 2008				
Issued and outstanding — 865 shares at December 31, 2006, and 0 shares at December 31, 2007 and June 30, 2008				
Liquidation value — \$0 at December 31, 2007 and June 30, 2008	2,780	—	—	—
Series C 8% preferred stock, \$0.01 par value:				
Authorized — 0 shares at December 31, 2006, and 3,900 shares at December 31, 2007 and June 30, 2008				
Issued and outstanding — 0 shares at December 31, 2006, and 3,829 shares at December 31, 2007 and June 30, 2008				
Liquidation value — \$26,829 at December 31, 2007 and June 30, 2008	—	13,338	13,859	13,859
Stockholders' deficit:				
Common stock, \$0.01 par value:				
Authorized — 100,000,000 shares				
Issued and outstanding — 18,853,450 shares at December 31, 2006, 19,036,050 shares at December 31, 2007, and 19,218,650 shares at June 30, 2008.	189	190	192	192
Additional paid-in capital	7,953	7,719	6,508	(143,117)
Accumulated other comprehensive income	35	79	10	10
Accumulated deficit	(19,900)	(18,374)	(15,150)	(15,150)
Total stockholders' deficit	(11,723)	(10,386)	(8,440)	(158,065)
Total liabilities, preferred stock and stockholders' deficit	<u>\$ 61,232</u>	<u>\$ 88,568</u>	<u>\$ 80,548</u>	<u>\$ 80,548</u>

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

Grand Canyon Education, Inc.
Statements of Operations
(In thousands, except per share data)

	Year Ended December 31,			Six Months Ended June 30,	
	2005	2006 (Restated)	2007	2007 (Unaudited)	2008
Net revenue	\$ 51,793	\$ 72,111	\$ 99,326	\$ 44,071	\$ 70,275
Costs and expenses:					
Instructional costs and services	28,063	31,287	39,050	17,555	24,028
Selling and promotional, including \$2,839 in 2005; \$3,742 in 2006, and \$4,293 in 2007, \$2,064 and \$2,925 for the six months ended June 30, 2007 and 2008, to related parties	14,047	20,093	35,148	14,186	27,473
General and administrative	12,968	15,011	17,001	8,377	10,960
Royalty to former owner	1,619	2,678	3,782	1,629	1,488
Total costs and expenses	56,697	69,069	94,981	41,747	63,949
Operating income (loss)	(4,904)	3,042	4,345	2,324	6,326
Interest expense	(3,098)	(2,827)	(2,975)	(1,515)	(1,507)
Interest income	276	912	1,172	692	432
Income (loss) before income taxes	(7,726)	1,127	2,542	1,501	5,251
Income tax expense (benefit)	(3,440)	529	1,016	600	2,027
Net income (loss)	(4,286)	598	1,526	901	3,224
Preferred dividends	—	(527)	(349)	(167)	(521)
Net income available (loss attributable) to common stockholders	\$ (4,286)	\$ 71	\$ 1,177	\$ 734	\$ 2,703
Earnings (loss), per common share:					
Basic	\$ (0.23)	\$ 0.00	\$ 0.06	\$ 0.04	\$ 0.14
Diluted	\$ (0.23)	\$ 0.00	\$ 0.03	\$ 0.02	\$ 0.08
Shares used in computing earnings (loss) per common share:					
Basic	18,470	18,853	18,923	18,853	19,089
Diluted	18,470	36,858	35,143	35,052	32,623
Pro forma earnings per common share (Unaudited)					
Basic			\$ 0.04		\$ 0.10
Diluted			\$ 0.03		\$ 0.06
Shares used in computing pro forma earnings per common share (Unaudited)					
Basic			26,632		26,798
Diluted			42,853		40,333

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

Grand Canyon Education, Inc.
Statements of Preferred Stock and Stockholders' Deficit
(In thousands, except share data)

	Preferred Stock						Members'/Stockholders' Deficit							
	Series A Convertible Preferred Stock		Series B Preferred Stock		Series C Preferred Stock		Membership Interests		Common Stock		Additional Paid-in Capital	Other Comprehensive Income	Accumulated Deficit	Total
	Shares	Amount	Shares	Amount	Shares	Amount	Units	Amount	Shares	Par Value				
	\$	\$	\$	\$	\$	\$				\$	\$	\$	\$	
Balance at December 31, 2004	—	—	—	—	—	—	1,000,000	\$ 8,567	—	\$ —	—	—	\$(16,212)	\$ (7,645)
Distribution to members	—	—	—	—	—	—	—	(240)	—	—	—	—	—	(240)
Exchange of membership interests for common shares	—	—	—	—	—	—	(1,000,000)	(8,327)	18,260,000	183	8,144	—	—	—
Conversion of Promissory Notes into Series A Convertible Preferred Stock	4,329	14,000	—	—	—	—	—	—	—	—	—	—	—	—
Issuance of common stock for services	—	—	—	—	—	—	—	—	593,450	6	54	—	—	60
Issuance of Series A Convertible Preferred Stock for cash, net of issuance costs of \$639	1,624	4,610	—	—	—	—	—	—	—	—	—	—	—	—
Issuance of Series B Preferred Stock for cash, net of issuance costs of \$20	—	—	2,163	6,980	—	—	—	—	—	—	—	—	—	—
Net loss (Restated)	—	—	—	—	—	—	—	—	—	—	—	—	(4,286)	(4,286)
Balance at December 31, 2005 (Restated)	5,953	18,610	2,163	6,980	—	—	—	—	18,853,450	189	8,198	—	(20,498)	(12,111)
Net income (Restated)	—	—	—	—	—	—	—	—	—	—	—	—	598	598
Unrealized gains on available-for-sale securities, net of taxes of \$23	—	—	—	—	—	—	—	—	—	—	—	35	—	35
Comprehensive income	—	—	—	—	—	—	—	—	—	—	—	—	—	633
Redemption of Series B Preferred Stock	—	—	(1,298)	(4,200)	—	—	—	—	—	—	—	—	—	—
Value assigned to Blanchard shares	—	—	—	—	—	—	—	—	—	—	282	—	—	282
Dividend on Series B Preferred Stock	—	—	—	—	—	—	—	—	—	—	(527)	—	—	(527)
Balance at December 31, 2006 (Restated)	5,953	18,610	865	2,780	—	—	—	—	18,853,450	189	7,953	35	(19,900)	(11,723)
Net income (Restated)	—	—	—	—	—	—	—	—	—	—	—	—	1,526	1,526
Unrealized gains on available-for-sale securities, net of taxes of \$30	—	—	—	—	—	—	—	—	—	—	—	44	—	44
Comprehensive income	—	—	—	—	—	—	—	—	—	—	—	—	—	1,570
Conversion of Series B Preferred Stock to Series C Preferred Stock	—	—	(865)	(2,780)	800	2,780	—	—	—	—	—	—	—	—
Payment of amounts due to related party with Series C Preferred Stock	—	—	—	—	34	120	—	—	—	—	—	—	—	—
Issuance of Series C Preferred Stock for cash, net of issuance costs of \$36	—	—	—	—	2,995	10,409	—	—	—	—	—	—	—	—
Issuance of Blanchard shares	—	—	—	—	—	—	—	—	182,600	1	115	—	—	116
Dividend on Series B Preferred Stock	—	—	—	—	—	—	—	—	—	—	(320)	—	—	(320)
Accretion of Series C Preferred Stock Dividend	—	—	—	—	—	29	—	—	—	—	(29)	—	—	(29)
Balance at December 31, 2007 (Restated)	5,953	18,610	—	—	3,829	13,338	—	—	19,036,050	190	7,719	79	(18,374)	(10,386)
Net income (unaudited)	—	—	—	—	—	—	—	—	—	—	—	—	3,224	3,224
Unrealized losses on available-for-sale securities, net of taxes of \$49 (unaudited)	—	—	—	—	—	—	—	—	—	—	—	—	(69)	(69)
Comprehensive income (unaudited)	—	—	—	—	—	—	—	—	—	—	—	—	—	3,155
Undeclared dividends on Series C Preferred Stock (unaudited)	—	—	—	—	—	521	—	—	—	—	(521)	—	—	(521)
Issuance of Blanchard shares (unaudited)	—	—	—	—	—	—	—	—	182,600	2	2,994	—	—	2,996
Cancellation of IAS warrant, net of \$2,316 deferred taxes (unaudited)	—	—	—	—	—	—	—	—	—	—	(3,684)	—	—	(3,684)
Balance at June 30, 2008 (unaudited)	5,953	\$ 18,610	—	\$ —	3,829	\$ 13,859	—	\$ —	19,218,650	\$ 192	\$ 6,508	\$ 10	\$(15,150)	\$ (8,440)

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

Grand Canyon Education, Inc.

Statements of Cash Flows
(In thousands)

	Year Ended December 31,			Six Months June 30,	
	2005	2006	2007	2007	2008
	(Restated)			(Unaudited)	
Operating activities					
Net income (loss)	\$ (4,286)	\$ 598	\$ 1,526	\$ 901	\$ 3,224
Adjustments to reconcile net income to net cash provided by (used in) operating activities:					
Provision for bad debts	2,632	4,664	6,257	3,185	4,052
Depreciation and amortization	1,879	2,396	3,300	1,473	2,269
Deferred income taxes	(3,693)	(2,148)	(1,656)	—	(186)
Other	129	—	19	(17)	(112)
Changes in operating assets and liabilities:					
Accounts receivable	(5,356)	(5,974)	(8,573)	(4,139)	(3,868)
Prepaid expenses and other assets	(149)	(451)	(442)	(230)	(266)
Due to/from related parties	51	202	(107)	(257)	288
Accounts payable	(727)	1,663	253	(204)	1,098
Accrued liabilities	(1,351)	(646)	3,802	1,639	576
Income taxes payable	253	2,280	(2,294)	(2,353)	1,405
Deferred revenue and student deposits	2,668	1,538	4,236	2,165	604
Prepaid royalties to former owner	—	—	—	—	(5,920)
Royalty payable to former owner	978	2,678	3,782	1,629	(7,428)
Deposit with former owner	—	—	(3,000)	—	3,000
Net cash provided by (used in) operating activities	(6,972)	6,800	7,103	3,792	(1,264)
Investing activities					
Capital expenditures	(817)	(2,387)	(7,406)	(3,234)	(3,983)
Purchases of investments	(9,152)	—	—	—	(2,499)
Proceeds from sale or maturity of investments	—	9,045	(149)	(62)	2,470
Net cash provided by (used in) investing activities	(9,969)	6,658	(7,555)	(3,296)	(4,012)
Financing activities					
Principal payments on notes payable and capital lease obligations	(2,306)	(1,179)	(1,230)	(623)	(719)
Repayment on line of credit	—	—	—	—	(6,000)
Proceeds from line of credit and other debt obligations	14,000	—	6,000	—	—
Repurchase of Institute Warrant	—	—	—	—	(6,000)
Repayment of Institute Note Payable	—	—	—	—	(1,250)
Net proceeds from issuances of preferred stock	4,590	—	4,684	—	—
Proceeds from related party payable on preferred stock	—	4,200	—	—	5,725
Redemptions of preferred stock	—	(4,200)	—	—	—
Distributions to members and dividends on preferred stock	(240)	(497)	(153)	(125)	—
Amounts paid related to initial public offering	—	—	—	—	(2,484)
Net cash provided by (used in) financing activities	16,044	(1,676)	9,301	(748)	(10,728)
Net increase (decrease) in cash and cash equivalents	(897)	11,782	8,849	(252)	(16,004)
Cash and cash equivalents at beginning of period	3,476	2,579	14,361	14,361	23,210
Cash and cash equivalents at end of period	\$ 2,579	\$ 14,361	\$ 23,210	\$ 14,109	\$ 7,206
Supplemental disclosures of cash flow information					
Cash paid during the year for:					
Interest paid	\$ 2,994	\$ 2,523	\$ 2,645	\$ 1,318	\$ 2,382
Income taxes paid	\$ —	\$ 397	\$ 4,964	\$ 3,000	\$ 762
Supplemental Schedule of Noncash Investing and Financing Activities:					
Purchase of equipment through capital lease obligations	\$ 858	\$ 5,945	\$ 676	\$ 365	\$ 760
Issuance of Series B and Series C preferred stock for notes receivable	7,000	—	5,725	—	—
Conversion of senior secured notes to Series A convertible preferred stock	14,000	—	—	—	—
Exchange of membership interest into common stock	8,327	—	—	—	—
Receipt of marketable securities for Series B preferred stock	—	2,908	—	—	—
Issuance of Series C preferred stock for settlement of balances owed	—	—	120	—	—
Accretion of dividends on Series C preferred stock	—	—	29	167	521
Value assigned to Blanchard shares	—	282	116	116	2,996
Assumption of future obligations under gift annuities	—	—	—	—	887
Deferred tax on repurchase of Institute Warrant	—	—	—	—	(2,316)

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

Grand Canyon Education, Inc.

Notes to 2005, 2006, and 2007 Financial Statements (Restated)
Notes to Unaudited Financial Statements for the Six Month Periods Ended June 30, 2007 and 2008
(In thousands of dollars, except share and per share data)

1. Nature of Business

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

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

The accompanying unaudited interim financial statements as of June 30, 2008 and for the six month periods ended June 30, 2007 and 2008 have been prepared in accordance with U.S. generally accepted accounting principles, consistent in all material respects with those applied in the accompanying audited financial statements as of December 31, 2006 and 2007 and for each of the three years in the period ended December 31, 2007, except for certain new accounting standards adopted on January 1, 2008 as further described in Note 2, Summary of Significant Accounting Policies, *Income Taxes* and *New Accounting Standards*. 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.

2. Summary of Significant Accounting Policies

Formation and Transactions with Former Owner

On January 29, 2004, the Company entered into an asset purchase agreement (the “Purchase Agreement”) with the Grand Canyon University Institute for Advanced Studies (the “Institute” or “former owner”), an Arizona nonprofit corporation, pursuant to which the Company acquired substantially all of the operating assets (excluding the ground campus and related buildings) of Grand Canyon University (the “University”), including all accreditations, licensures, and approvals necessary to offer its ground and online education programs. In consideration for the purchase of such assets, the Company paid the Institute \$500 in cash, assumed certain liabilities, and agreed to pay the Institute a royalty equal to 5% of the revenue generated by the Company through its online education program for each year in the period 2004 through 2008 and 4% for each year thereafter, in perpetuity (the “Royalty Agreement”). The consideration paid and liabilities assumed exceeded the fair value of the assets acquired by \$2,941 which was recorded as goodwill. The transaction closed on February 2, 2004 at which time the Company commenced its operations.

On June 25, 2004, the Company entered into an ancillary agreement (the “Ancillary Agreement”) with the Institute, pursuant to which the Company agreed to purchase the ground campus and related buildings (the “Campus”) excluding one building and the underlying real estate, from the Institute for the following consideration:

- \$26,750 in cash;
- the assumption of a \$1,500 note payable to a third party (the “Kirksville Note”);

Grand Canyon Education, Inc.**Notes to 2005, 2006, and 2007 Financial Statements (Restated)
Notes to Unaudited Financial Statements for the Six Month Periods Ended June 30, 2007 and 2008
(In thousands of dollars, except share and per share data) — (Continued)**

- the issuance by the Company to the Institute of a warrant (the “Institute Warrant”) to purchase a 10.0% non-dilutable equity interest in the Company for an exercise price of \$1 during a one month period beginning in July 1, 2011 subject to a right for the Company to repurchase the warrant at any time prior to its exercise for \$6,000.

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

In connection with the Ancillary Agreement, (i) the Company assigned its right to purchase the Campus to Spirit Finance Acquisitions, LLC (“Spirit”), (ii) following such assignment, Spirit acquired the Campus from the Institute for cash, (iii) Spirit leased the Campus to the Company under a long-term lease (the “Spirit Lease”) in connection with which the Company issued to Spirit a warrant, and (iv) the Institute loaned the Company \$1,250 payable over seven years (the “Institute Loan”).

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

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

- the satisfaction in full of all past royalties due to the Institute under the Royalty Agreement and the elimination of the existing obligation to pay royalties for online student revenues in perpetuity;
- the repurchase of the Institute Warrant;
- the acquisition by the Company of the real property and related building located on the Campus that was owned by the Institute and not transferred in connection with the Ancillary Agreement;
- the termination of a sublease agreement pursuant to which the Institute leased office space on the Campus;
- the assumption by the Company of all future payment obligations in respect to certain gift annuities made to the school by donors prior to the acquisition; and
- the satisfaction in full of the \$1,250 Institute Loan (including all accrued and unpaid interest thereon).

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

Grand Canyon Education, Inc.

Notes to 2005, 2006, and 2007 Financial Statements (Restated)
Notes to Unaudited Financial Statements for the Six Month Periods Ended June 30, 2007 and 2008
(In thousands of dollars, except share and per share data) — (Continued)

Accounting for the April 15, 2008 Settlement of the Standstill Agreement

The following table provides a tabular depiction of the Company's allocation of the \$22,500 total payment to the Institute to each of the assets acquired, obligations settled, and liabilities assumed, based on the Company's fair value estimates.

	(\$ in thousands)
Initial Payment	\$ 3,000
Optional Payment	19,500
Total Payment to be allocated	\$ 22,500
<i>1) Obligations settled</i>	
—Accrued royalties due under Royalty Agreement (as of April 15, 2008)	\$ 8,730
—Repurchase of Institute Warrant	6,000
—Repayment of Institute Loan, including accrued interest	2,257
—Other amounts due to the Institute	327
<i>2) Liabilities assumed</i>	
—Assumption of gift annuities obligation, at fair value	(887)
<i>3) Cost to be allocated to assets acquired</i>	
—Real property and prepaid royalty asset	6,073
Total fair value estimates	\$ 22,500

As indicated in the table above, the total payment was applied to the following items, in the order indicated: (1) to satisfy all past royalties due to the Institute; (2) to redeem the Institute Warrant, based on the original terms of such warrant; (3) to satisfy a loan provided by the Institute, including all accrued and unpaid interest thereon; and (4) to satisfy other amounts due to the Institute.

The standstill agreement also required the Company to assume future payment obligations in respect of certain gift annuities made to the school by donors prior to the acquisition, which represents a liability assumed under the standstill agreement and was recognized based on the fair value of such annuities at the option exercise date.

The remaining \$6,073 of the total payment was allocated to the remaining acquired assets based on their individual fair value relative to the total fair value of those assets. The Company recognized the real property (*i.e.*, land) and related building acquired from the Institute in the transaction as an asset at the option exercise date and these assets totaling \$129 and \$24, respectively, have been classified within "Property and Equipment" on our balance sheet at June 30, 2008.

The \$5,920 value of the settlement of future royalty payment obligations to the Institute was determined based on its relative fair value at the option exercise date and is included in the accompanying balance sheet at June 30, 2008 as a "Prepaid Royalty," and will be amortized over a period of 20 years.

Use of Estimates

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

Grand Canyon Education, Inc.

Notes to 2005, 2006, and 2007 Financial Statements (Restated)
Notes to Unaudited Financial Statements for the Six Month Periods Ended June 30, 2007 and 2008
(In thousands of dollars, except share and per share data) — (Continued)

Reclassifications

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

Cash and Cash Equivalents

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

Restricted Cash and Investments

The Company owns certain marketable securities that are pledged as collateral for a Standby Letter of Credit as further described in Note 4. The Company considers its investments in such marketable securities as available-for-sale securities, in accordance with the provisions of Statement of Financial Accounting Standards ("SFAS") No. 115, *Accounting for Certain Investments in Debt and Equity Securities*. Available-for-sale investments are carried at fair value as determined by quoted market prices, with unrealized gains and losses, net of tax, reported as a separate component of stockholders' deficit. Unrealized losses considered to be other-than-temporary are recognized currently in earnings. The cost of securities sold is based on the specific identification method. Amortization of premiums, accretion of discounts, interest and dividend income and realized gains and losses are included in investment income. Because these investments are pledged as collateral, the Company classifies all such amounts as long term assets.

Fair Value of Financial Instruments

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

SFAS No. 157, *Fair Value Measurements* ("SFAS No. 157"), establishes a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value into three broad levels. The fair value hierarchy gives the highest priority to quoted prices in active markets for identical assets or liabilities (Level 1) and the lowest priority to unobservable inputs (Level 3).

At June 30, 2008 the fair value of municipal and U.S. agency securities were determined using Level 1 of the hierarchy of valuation inputs, with the use of observable market prices in the active market. The unit of account used for valuation is the individual underlying security. The municipal securities are comprised of city and county bonds related to schools, water and sewer, and housing bonds. The U.S. agency securities are comprised of Fannie Mae and Federal Home Loan Bank bonds. Because these securities held by the Company are investments, assessment of non-performance risk is not applicable as such considerations are only applicable in evaluating the fair value measurements for liabilities.

The fair value of the prepaid royalty asset related to the settlement of future royalty payment obligations to the Institute was determined using an income approach, based on management's forecasts of revenue to be generated through its online education program using Level 3 of the hierarchy of valuation inputs. The rate utilized to discount net cash flows to their present values is 35%. This discount rate was determined after consideration of the Company's weighted average cost of capital giving effect to estimates of the Company's risk-free rate, beta coefficient, equity risk premium, small size risk premium, and company-specific risk premium.

Grand Canyon Education, Inc.

Notes to 2005, 2006, and 2007 Financial Statements (Restated)
Notes to Unaudited Financial Statements for the Six Month Periods Ended June 30, 2007 and 2008
(In thousands of dollars, except share and per share data) — (Continued)

Allowance for Doubtful Accounts

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

See also Note 3, "Restatement of Financial Statements," for the discussion of the restatement to the allowance for doubtful accounts.

Property and Equipment

Property and equipment are recorded at cost less accumulated depreciation. Depreciation is computed using the straight-line method. Normal repairs and maintenance are expensed as incurred. Expenditures that materially extend the useful life of an asset are capitalized. Construction in progress represents items not yet placed in service and are not depreciated. The Company capitalizes interest pursuant to SFAS No. 34, *Capitalization of Interest Costs*. The Company used its interest rates on the specific borrowings used to finance the improvements, which approximated 8.7% in 2006, 2007, and 2008 given the amount of the specific debt exceeded the in process value of the project at all times. The Company did not have any projects that required it to capitalize interest cost in 2005. Interest cost capitalized and incurred in the years ended December 31, 2005, 2006, and 2007 and the six months ended June 30, 2007 and 2008 are as follows:

	Year Ended December 31,			Six Months Ended June 30,	
	2005	2006	2007	2007	2008
Interest incurred	\$ 3,098	\$ 2,925	\$ 3,102	\$ 1,579	\$ 1,534
Interest capitalized	—	98	127	64	27
Interest expense	<u>\$ 3,098</u>	<u>\$ 2,827</u>	<u>\$ 2,975</u>	<u>\$ 1,515</u>	<u>\$ 1,507</u>

Depreciation is provided using the straight-line method over the estimated useful lives of the assets. Household improvements and furniture and fixtures, computer equipment, and vehicles have estimated useful lives of 10, four, and, five years, respectively. Buildings are under 20 year capital leases.

Long-Lived Assets

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

Goodwill

Goodwill represents the excess of the cost over the fair market value of net assets acquired, including identified intangible assets. Goodwill is tested annually or more frequently if circumstances indicate potential

Grand Canyon Education, Inc.

Notes to 2005, 2006, and 2007 Financial Statements (Restated)
Notes to Unaudited Financial Statements for the Six Month Periods Ended June 30, 2007 and 2008
(In thousands of dollars, except share and per share data) — (Continued)

impairment, by comparing its fair value to its carrying amount as defined by SFAS No. 142, *Goodwill and Other Intangible Assets*.

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

Income Taxes

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

Effective January 1, 2008, the Company adopted FASB Interpretation No. 48, *Accounting for Uncertainty in Income Taxes* ("FIN 48"). FIN 48 prescribes a more-likely-than-not threshold for financial statement recognition and measurement of a tax position taken or expected to be taken in a tax return. We recognize interest and penalties related to uncertain tax positions in income tax expense.

The Company has deferred tax assets, which are subject to periodic recoverability assessments. Valuation allowances are established, when necessary, to reduce deferred tax assets to the amount that more likely than not will be realized. Realization of the deferred tax assets is principally dependent upon achievement of projected future taxable income offset by deferred tax liabilities.

Revenue Recognition

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

Instructional Costs and Services

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

Grand Canyon Education, Inc.

Notes to 2005, 2006, and 2007 Financial Statements (Restated)
Notes to Unaudited Financial Statements for the Six Month Periods Ended June 30, 2007 and 2008
(In thousands of dollars, except share and per share data) — (Continued)

Selling and Promotional

Selling and promotional expenses include salaries and benefits of personnel engaged in the marketing, recruitment, and retention of students, as well as advertising costs associated with purchasing leads, hosting events and seminars, and producing marketing materials. This category also includes an allocation of depreciation, amortization, rent, and occupancy costs attributable to selling and promotional activities at the Company's facilities in Phoenix, Arizona and Orem, Utah. Selling and promotional costs are expensed as incurred. Advertising costs, which include marketing leads, events, and promotional materials for the years ended December 31, 2005, 2006, and 2007 were \$3,423, \$4,674, and \$10,213 respectively, and for the six months ended June 30, 2007 and 2008 were \$3,575 and \$7,070, respectively.

The Company is party to revenue share arrangements with related parties pursuant to which it pays a percentage of the net revenue that it actually receives from applicants recruited by those entities that matriculate at Grand Canyon University. The related party bears all costs associated with the recruitment of these applicants. For the years ended December 31, 2005, 2006, and 2007, the Company expensed approximately \$2,839, \$3,742, and \$4,293, respectively, and for the six months ended June 30, 2007 and 2008, \$2,064 and \$2,925, respectively, pursuant to these arrangements. As of December 31, 2006 and 2007, and as of the six months ended June 30, 2008, \$475, \$416, and \$740, respectively, were due to these related parties.

General and Administrative

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

Royalty to Former Owner

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

Insurance/Self-Insurance

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

Grand Canyon Education, Inc.

Notes to 2005, 2006, and 2007 Financial Statements (Restated)
Notes to Unaudited Financial Statements for the Six Month Periods Ended June 30, 2007 and 2008
(In thousands of dollars, except share and per share data) — (Continued)

Concentration of Credit Risk

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

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

Accumulated Other Comprehensive Income

The only item of accumulated other comprehensive income relates to unrealized gains and losses on available-for-sale marketable securities at December 31, 2006 and 2007, which totaled \$35 (net of taxes of \$23) and \$79 (net of taxes of \$52), respectively, and which totaled \$10 (net of taxes of \$4) at June 30, 2008.

Segment Information

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

New Accounting Standards

In September 2006, the FASB issued SFAS No. 157, which provides enhanced guidance for using fair value to measure assets and liabilities. SFAS No. 157 establishes a common definition of fair value, provides a framework for measuring fair value under U.S. generally accepted accounting principles and expands disclosure requirements about fair value measurements. SFAS No. 157 is effective for financial statements issued in fiscal years beginning after November 15, 2007, and interim periods within those fiscal years. The Company's adoption of SFAS No. 157 had no material impact on its financial position or results of operations.

In February 2007, the FASB issued SFAS No. 159, *The Fair Value Option for Financial Assets and Financial Liabilities Including an Amendment of FASB Statement No. 115* ("SFAS No. 159"). This standard permits entities to choose to measure financial instruments and certain other items at fair value and is effective for the first fiscal year beginning after November 15, 2007. SFAS No. 159 must be applied prospectively, and the effect of the first re-measurement to fair value, if any, should be reported as a cumulative effect adjustment to the opening balance of retained earnings. The adoption of SFAS No. 159 had no material impact on the Company's financial position or results of operations.

Grand Canyon Education, Inc.

Notes to 2005, 2006, and 2007 Financial Statements (Restated)
Notes to Unaudited Financial Statements for the Six Month Periods Ended June 30, 2007 and 2008
(In thousands of dollars, except share and per share data) — (Continued)

3. Restatement of Financial Statements

During the six month period ended June 30, 2008, the Company concluded that a significant increase in its allowance for doubtful accounts was required. A portion of the increase has been determined to be the correction of an error from prior periods and thus the accompanying financial statements have been restated to reflect this increase. This error occurred in prior years because the Company did not properly consider all available information related to its actual collection and write-off experience. Accordingly, the Company has restated its allowances for doubtful accounts for all prior periods presented to reflect the increase in bad debts for these prior periods after additional analysis in 2008 of \$1,933, \$1,794, and \$2,352 in each of the years ended December 31, 2005, 2006, and 2007 respectively. In addition, the Company made an error in the accounting for the shares to be issued to Blanchard under the License Agreement as discussed in Note 11 to the Financial Statements. The correction of this error resulted in an increase in prepaid royalties and paid-in capital of \$282 and \$116 in 2006 and 2007, respectively, and the recognition of \$36 of amortization expense in 2007. The Company also determined that it had made an error in the accounting for deferred taxes at the date of conversion from a limited liability company to a corporation. The correction of this error resulted in an increase in the income tax benefit for the year ended December 31, 2005 of \$761.

Below is a summary of the impact of the restatement:

	December 31, 2006		December 31, 2007	
	As Reported	As Restated	As Reported	As Restated
ASSETS				
Current assets:				
Accounts receivable, net of allowance for doubtful accounts	\$ 8,525	\$ 4,798	\$ 13,193	\$ 7,114
Deferred income taxes	1,592	2,984	2,338	4,640
Prepaid expenses and other current assets	861	893	1,304	1,349
Total current assets	25,339	23,036	46,046	42,314
Prepaid royalties	—	250	—	317
Deferred income taxes	2,027	2,835	1,986	2,806
Total assets	62,477	61,232	91,163	88,568
LIABILITIES, PREFERRED STOCK AND STOCKHOLDER'S DEFICIT				
Common stock	189	189	190	190
Additional paid-in capital	7,671	7,953	7,321	7,719
Accumulated deficit	(18,374)	(19,900)	(15,383)	(18,374)
Total stockholders' deficit	(10,479)	(11,723)	(7,792)	(10,386)
Total liabilities, preferred stock and stockholders' deficit	62,477	61,232	91,163	88,568

Grand Canyon Education, Inc.

Notes to 2005, 2006, and 2007 Financial Statements (Restated)
Notes to Unaudited Financial Statements for the Six Month Periods Ended June 30, 2007 and 2008
(In thousands of dollars, except share and per share data) — (Continued)

	December 31, 2005		December 31, 2006		December 31, 2007	
	As Reported	As Restated	As Reported	As Restated	As Reported	As Restated
Total costs and expenses	\$ 54,760	\$ 56,697	\$ 67,279	\$ 69,069	\$ 92,499	\$ 94,981
Operating income (loss)	(2,967)	(4,904)	4,832	3,042	6,828	4,345
Interest expense	(3,016)	(3,098)	(2,909)	(2,827)	(3,070)	(2,975)
Income (loss) before income taxes	(5,707)	(7,726)	2,835	1,127	4,930	2,542
Income tax expense (benefit)	(1,894)	(3,440)	1,184	529	1,939	1,016
Net income (loss)	(3,813)	(4,286)	1,651	598	2,991	1,526
Earnings (loss), per common share						
Basic—	\$ (0.21)	\$ (0.23)	\$ 0.06	\$ 0.00	\$ 0.14	\$ 0.06
Diluted—	\$ (0.21)	\$ (0.23)	\$ 0.03	\$ 0.00	\$ 0.08	\$ 0.03

4. Restricted Cash and Investments

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

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

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

	As of June 30, 2008			
	Adjusted Cost	Gross Unrealized Gains	Gross Unrealized (Losses)	Estimated Fair Value
Money Market Funds	\$ 2,804	\$ —	\$ —	\$ 2,804
Municipal Securities	549	18	(1)	566
Total	\$ 3,353	\$ 18	\$ (1)	\$ 3,370

Grand Canyon Education, Inc.

Notes to 2005, 2006, and 2007 Financial Statements (Restated)
Notes to Unaudited Financial Statements for the Six Month Periods Ended June 30, 2007 and 2008
(In thousands of dollars, except share and per share data) — (Continued)

The unrealized losses on the Company's investments in Municipal Securities were caused by interest rate increases. The cash flows of the Agency instruments are guaranteed by an agency of the U.S. government while Municipal Securities are backed by the issuing municipality's credit worthiness. Contractual maturities of the marketable securities are as follows:

	As of December 31,		As of
	2006	2007	June 30, 2008
Due in one year or less	\$ 108	\$ 359	\$ 2,904
Due in one to five years	402	335	255
Due in five to ten years	997	1,032	211
Due after ten years	1,567	1,572	0
	<u>\$ 3,074</u>	<u>\$ 3,298</u>	<u>\$ 3,370</u>

Gross realized gains and losses resulting from the sale of available-for-sale securities were \$0 for the years ended December 31, 2005, 2006, and 2007, and \$112 for the six months ended June 30, 2008. For the years ended December 31, 2005, 2006, and 2007, respectively the net unrealized gain (loss) on available-for-sale securities were \$0, \$35, and \$44, net of tax effect, respectively, and \$(69), net of tax effect, for the six months ended June 30, 2008.

5. **Property and Equipment**

Property and equipment consist of the following:

	As of December 31,		As of
	2006	2007	June 30, 2008
Buildings under capital lease	\$ 20,562	\$ 20,562	\$ 20,562
Equipment under capital leases	1,726	2,236	2,253
Leasehold improvements	3,369	8,073	9,583
Furniture, fixtures and equipment	5,225	9,515	11,464
Other	593	805	1,074
Construction in progress	2,757	1,020	1,991
	<u>34,232</u>	<u>42,211</u>	<u>46,927</u>
Less accumulated depreciation and amortization	(5,215)	(8,362)	(10,467)
Property and equipment, net	<u>\$ 29,017</u>	<u>\$ 33,849</u>	<u>\$ 36,460</u>

Depreciation and amortization expense associated with property and equipment, including assets under capital lease, totaled \$1,849, \$2,298, and \$3,270 for the years ended December 31, 2005, 2006, and 2007, respectively, and \$1,454 and \$2,132 for the six months ended June 30, 2007 and 2008.

Grand Canyon Education, Inc.

Notes to 2005, 2006, and 2007 Financial Statements (Restated)
Notes to Unaudited Financial Statements for the Six Month Periods Ended June 30, 2007 and 2008
(In thousands of dollars, except share and per share data) — (Continued)

6. Accrued Liabilities

Accrued liabilities consist of the following:

	As of December 31,		As of
	2006	2007	June 30, 2008
Accrued compensation and benefits	\$ 1,569	\$ 3,775	\$ 4,800
Accrued interest	671	1,096	221
Other accrued expenses	804	2,022	1,561
	<u>\$ 3,044</u>	<u>\$ 6,893</u>	<u>\$ 6,582</u>

7. Financing Arrangements

At December 31, 2007, the Company had a line of credit with a bank that provided for borrowings of up to \$6,000. The line was intended to provide funding for operations as needed and was collateralized by equipment and fixtures owned by the Company. The interest rate on the line was equal to LIBOR plus 2.0% (6.8% as of December 31, 2007). As of December 31, 2007 the amount outstanding under this line of credit was \$6,000. The line of credit was paid in full in February 2008 and terminated in May 2008.

During 2004, the Company entered into the Spirit Lease. In connection with the Spirit Lease, the Company is required to maintain a \$2,000 letter of credit in favor of Spirit. The letter of credit is secured by a pledge of certain Company assets that are included in Restricted cash and investments in the accompanying balance sheet. In conjunction with the terms of the Spirit Lease, Spirit provided the Company with funding to be used for certain leasehold and other capital improvements. At December 31, 2007 and June 30, 2008, the Company was obligated to spend \$2,287 and \$1,258, respectively, by July 2010 on such improvements.

8. Notes Payable and Capital Lease Obligations

Notes payable and capital lease obligations consist of the following:

	As of December 31,		As of
	2006	2007	June 30, 2008
Capital Lease Obligations			
Capital lease for buildings (monthly payments of \$277 at an implicit interest rate of 8.7% through 2024)	\$ 29,161	\$ 28,451	\$ 28,814
Capital leases for equipment (various leases extending into 2012, with implicit interest rates ranging from 7.4% to 9.3%, monthly payments totaling \$35)	567	777	606
	<u>29,728</u>	<u>29,228</u>	<u>29,420</u>
Less: Current portion of capital lease obligations	949	1,150	1,132
	<u>\$ 28,779</u>	<u>\$ 28,078</u>	<u>\$ 28,288</u>

Grand Canyon Education, Inc.

Notes to 2005, 2006, and 2007 Financial Statements (Restated)
Notes to Unaudited Financial Statements for the Six Month Periods Ended June 30, 2007 and 2008
(In thousands of dollars, except share and per share data) — (Continued)

	As of December 31,		As of
	2006	2007	June 30, 2008
Notes Payable			
Institute Loan; 8 quarterly payments of \$60 through June 2006 and \$120 for 20 quarters through June 2011; implicit interest at 23.6%	\$ 1,250	\$ 1,250	\$ —
Kirksville Note; monthly payments of \$20; interest at 3.9% through September 2011	1,043	840	735
Various Gift Annuities; quarterly payments of \$34 extending through 2018; interest at 10%	—	—	884
Notes payable for vehicles requiring monthly payments with interest rates ranging from 9.5% to 11.0% extending into January 2013	169	318	275
	2,462	2,408	1,894
Less: Current portion	374	646	412
	<u>\$ 2,088</u>	<u>\$ 1,762</u>	<u>\$ 1,482</u>

The Spirit Lease provides the Company with the use of the campus land and buildings for a term of twenty years and provides the Company with four options to extend the term of the lease term for five year periods through 2044. In accordance with SFAS No. 13, *Accounting for Leases*, the lease of the campus land was treated as an operating lease and the lease of the buildings was treated as a capital lease. The lease includes scheduled bi-annual adjustments based on the lesser of 5.0% or 125% of the change in the Consumer Price Index. Under the original lease terms, Spirit provided an advance to make tenant improvements of \$6,250 that were received in 2004 and 2005. Through December 31, 2007 and June 30, 2008, the Company had expended \$3,963 and \$4,992, respectively, of the amounts advanced for approved capital improvement projects, and is required to spend the remaining amounts through 2010. In June 2006, Spirit agreed to provide an additional \$5,800 of lease funding for tenant improvements. Through December 31, 2007, the Company has expended \$4,555 and utilized \$3,589 of the tenant improvement funds. As of June 30, 2008, the Company has expended and utilized an additional \$1,157 and \$761, respectively, leaving \$88 in available funding. The lease provides the Company with an option to purchase the property at the greater of fair value or Spirit's total investment in the property.

Grand Canyon Education, Inc.

Notes to 2005, 2006, and 2007 Financial Statements (Restated)
Notes to Unaudited Financial Statements for the Six Month Periods Ended June 30, 2007 and 2008
(In thousands of dollars, except share and per share data) — (Continued)

Payments due under the notes payable and future minimum lease payments under the capital lease obligations are as follows:

	December 31, 2007	
	Capital Lease Obligations	Notes Payable
2008	\$ 3,744	\$ 646
2009	3,544	586
2010	3,471	671
2011	3,397	456
2012	3,355	49
Thereafter	34,951	—
	<u>52,462</u>	<u>\$ 2,408</u>
Less: Portion representing interest	23,234	
Present value of minimum lease payments	<u>\$ 29,228</u>	

9. Commitments and Contingencies

Leases

The Company leases certain land, buildings and equipment under non-cancelable operating leases expiring at various dates through 2023. Future minimum lease payments under operating leases due each year are as follows at December 31, 2007:

	December 31, 2007
2008	\$ 2,203
2009	2,153
2010	2,003
2011	1,852
2012	1,852
Thereafter	20,326
Total minimum payments	<u>\$ 30,389</u>

Total rent expense and related taxes and operating expenses under operating leases for the years ended December 31, 2005, 2006 and 2007 and for the six months ended June 30, 2007 and 2008 was \$2,052, \$2,136, \$2,260, \$1,041 and \$1,097, respectively.

Legal Matters

On February 28, 2007, the Company filed a complaint against SunGard Higher Education Managed Services, Inc. in the Maricopa County Superior Court, Case No. CV2007-003492, for breach of contract, breach of implied covenant of good faith and fair dealing, breach of warranty, breach of fiduciary duty, tortious interference with business expectancy, unjust enrichment, and consumer fraud related to technology services agreement between the parties. In response, SunGard moved to stay the litigation and compel arbitration. The court granted the motion to stay, and compelled the parties to arbitrate. SunGard has also

Grand Canyon Education, Inc.

Notes to 2005, 2006, and 2007 Financial Statements (Restated)
Notes to Unaudited Financial Statements for the Six Month Periods Ended June 30, 2007 and 2008
(In thousands of dollars, except share and per share data) — (Continued)

counterclaimed alleging breach of contract relating to the parties' technology services agreement. Following discovery, the arbitration occurred in late May 2008 and final arguments were heard in July 2008.

From time to time, the Company is a party to various lawsuits, claims, and other legal proceedings that arise in the ordinary course of business, some of which are covered by insurance. When the Company is aware of a claim or potential claim, it assesses the likelihood of any loss or exposure. If it is probable that a loss will result and the amount of the loss can be reasonably estimated, the Company records a liability for the loss. If the loss is not probable or the amount of the loss cannot be reasonably estimated, the Company discloses the nature of the specific claim if the likelihood of a potential loss is reasonably possible and the amount involved is material. With respect to the majority of pending litigation matters, the Company's ultimate legal and financial responsibility, if any, cannot be estimated with certainty and, in most cases, any potential losses related to those matters are not considered probable. The Company has reserved approximately \$750 for losses related to litigation and asserted claims where the Company's ultimate exposure is considered probable and the potential loss can be reasonably estimated, which is classified within accrued liabilities on the accompanying December 31, 2007 and June 30, 2008 balance sheet. 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, including those matters described in Note 17 *Litigation*.

10. Earnings Per Share

Basic earnings (loss) per common share is calculated by dividing net income available (loss attributable) to common stockholders by the weighted average number of common shares outstanding for the period. Diluted earnings (loss) per common share reflects the assumed conversion of all potentially dilutive securities, consisting of preferred stock and common stock warrants for which the estimated fair value exceeds the exercise price, less shares which could have been purchased with the related proceeds, unless anti-dilutive. Contingently issuable stock, such as issuances to Blanchard Education, LLC (as discussed in Note 11), is also included in the diluted shares computation if enrollment levels have been attained, unless anti-dilutive. For 2005, diluted earnings (loss) per common share is computed on the same basis as basic earnings (loss) per common share, as the inclusion of potential common shares outstanding would be anti-dilutive.

The table below reflects the calculation of the weighted average number of common shares outstanding on an as if converted basis used in computing basic and diluted earnings (loss) per common share. For 2005, the basic and diluted common shares outstanding is computed by the weighted average membership units outstanding prior to the Company's conversion to a corporation, on a converted basis as if the conversion to a

Grand Canyon Education, Inc.

Notes to 2005, 2006, and 2007 Financial Statements (Restated)
Notes to Unaudited Financial Statements for the Six Month Periods Ended June 30, 2007 and 2008
(In thousands of dollars, except share and per share data) — (Continued)

corporation occurred on January 1, 2005 combined with the weighted number of shares of common stock outstanding after the conversion to a corporation.

	Year Ended December 31,			Six Month Period Ended June 30,	
	2005	2006	2007	2007	2008
Denominator:					
Basic common shares outstanding	18,469,990	18,853,450	18,922,838	18,853,450	19,089,004
Effect of dilutive preferred stock	—	14,494,788	12,393,062	12,449,668	10,870,178
Effect of dilutive warrants	—	3,509,572	3,805,384	3,748,778	2,625,788
Effect of contingently issuable common stock	—	—	21,912	—	38,346
Diluted common shares outstanding	18,469,990	36,857,810	35,143,196	35,051,896	32,623,316
Weighted average securities that could potentially dilute earnings per share in the future that are not included above as they are anti-dilutive:					
Series A contingently redeemable convertible preferred stock	2,120	—	—	—	—
Series B contingently redeemable convertible preferred stock	6	—	—	—	—
Common stock warrants	4,267,362	—	—	—	—

11. Preferred Stock and Equity Transactions

Preferred Stock

As of December 31, 2007 and June 30, 2008, the following series of preferred stock have been authorized:

Series A Convertible Preferred Stock

The Company entered into a Series A convertible preferred stock (the “Series A”) purchase agreement on August 24, 2005. The holders of Series A are entitled to vote and to receive dividends, when and as declared by the board of directors from time to time, in each case on an as-converted to common stock basis. The shares of Series A may convert into common stock at any time at the option of the holder thereof at the then applicable conversion rate, and all shares of Series A automatically convert into common stock at the then applicable conversion rate upon the consummation of a registered initial public offering that results in net cash proceeds to the Company (after deducting applicable underwriting discounts and commissions) of not less than \$30,000 and that has an offering price per share to the public of not less than \$5 (as adjusted to reflect

Grand Canyon Education, Inc.

Notes to 2005, 2006, and 2007 Financial Statements (Restated)
Notes to Unaudited Financial Statements for the Six Month Periods Ended June 30, 2007 and 2008
(In thousands of dollars, except share and per share data) — (Continued)

stock dividends, stock splits, combinations and similar actions) (a “qualified public offering”). In the event of liquidation, or a change in control, as defined, the holders of the Series A are entitled to receive in preference to holders, other than holders of Series B preferred stock (the “Series B”) and Series C preferred stock (the “Series C”), any distributions of the assets of the Company equal to three times the original purchase price of the shares, or \$9,702 per share, subject to certain adjustments.

On, or at any time, or from time to time, after February 24, 2009 and before August 24, 2009, each holder of the Series A may offer to the Company in writing the opportunity to redeem all or a portion of such holder’s outstanding shares of the Series A during the six month period following the Company’s receipt of such offer for value greater than the then current liquidation value or fair value as determined by an independent appraisal or public market. A majority of the board of directors (excluding the members of the board who are holders of the Series A) may accept or reject the offer. If the board of directors chooses not to redeem the Series A during this optional redemption period, then the holders of a majority of the Series A may, at their option, take voting control of the Company, pursuant to which, in any vote by the holders of the common stock, the holders of the Series A shall be deemed to have that number of votes, on an as-converted to common stock basis, necessary to comprise a majority of the common stock entitled to vote on such matter.

During 2005, the Company issued 1,624 shares of Series A and received net proceeds of \$4,610. Additionally, the Company converted \$14,000 of principal on senior secured promissory notes into 4,329 shares of Series A.

Series B Preferred Stock

On December 31, 2005, the Company entered into a Series B preferred stock purchase agreement. The holders of Series B were entitled to receive, in preference to the holders of Series A, when and as declared by the board of directors, cumulative dividends at a rate of 12.0% per year, less the amount of any dividends actually paid. Such dividends accrued whether or not declared by the board of directors, and whether or not there were funds legally available to pay dividends. The Series B is non-voting.

On December 31, 2005 the Company issued 2,163 shares Series B and received net proceeds of \$6,980 in the form of a stock subscription receivable. The receivable was subsequently paid in April 2006. On November 6, 2006, the Company redeemed 1,298 shares of the Series B for an aggregate redemption price of \$4,200 plus accrued and unpaid dividends of \$286. Dividends of \$241 on the remaining shares of Series B were declared by the board of directors of which \$213 were paid as of December 31, 2006. During 2007, the Company declared \$320 of dividends on the Series B of which \$153 was paid with the remaining balance accrued for as dividends payable. The remaining 865 shares of Series B were exchanged for 800 shares of Series C on December 17, 2007. The fair value of the shares of Series C issued in exchange for such shares of Series B was equal to the carrying amount of the shares of Series B at the date of the exchange. As of December 31, 2007 and June 30, 2008, no shares of Series B remain outstanding.

Series C Preferred Stock

On December 18, 2007, the Company entered into a Series C preferred stock purchase agreement and subscription agreement. The holders of Series C are entitled to receive, in preference to the holders of the all other classes of stock, when and as declared by the board of directors or upon a liquidation event, cumulative dividends at a rate of 8.0% per year, less the amount of any dividends actually paid. Such dividends accrue whether or not declared by the board of directors, whether or not there are funds legally available to pay dividends, and compound on an annual basis. In the event of liquidation, or a change in control, as defined, the holders of the Series C are entitled to receive, in preference to all other shareholders, any distributions of

Grand Canyon Education, Inc.

**Notes to 2005, 2006, and 2007 Financial Statements (Restated)
Notes to Unaudited Financial Statements for the Six Month Periods Ended June 30, 2007 and 2008
(In thousands of dollars, except share and per share data) — (Continued)**

the assets of the Company equal to two times the original purchase price of the shares, or \$7,000 per share, subject to certain adjustments, plus all accumulated but unpaid dividends. The Series C is non-voting.

On December 18, 2007 the Company issued 1,359 shares of Series C stock and received net proceeds of \$4,720 in cash and a subscription receivable of \$5,725 for the remaining 1,636 shares, which were paid for and issued in January 2008. Additionally, the Company issued 34 shares of Series C in consideration for amounts owed to one of the Series B stockholders and converted 865 shares of Series B for 800 shares of Series C as noted above. Cumulative undeclared dividends on the Series C were \$29 at December 31, 2007.

In May 2008, the board of directors and stockholders of the Company authorized an amendment to be made to the Company's certificate of incorporation that provides for the Series C preferred stock to convert automatically into common stock upon the closing of a qualified public offering. The amendment is anticipated to be filed, and would become effective, prior to the effectiveness of the registration statement relating to the qualified public offering. The number of shares of common stock to be issued upon conversion will be equal to the aggregate liquidation preference of the Series C preferred stock divided by the public offering price of the common stock.

Common Stock

On August 24, 2005, in connection with its conversion from a limited liability company to a corporation, the Company issued and exchanged one share of common stock to its membership holders in exchange for each 182,600 of their previously outstanding membership units in the limited liability company. Concurrently, the Company also issued 593,450 shares of common stock to a prospective investor in settlement of a legal action. Each share of the Company's common stock is entitled to one vote. All shares of common stock rank equally as to voting and all other matters. The shares of common stock have no preemptive or conversion rights, no redemption or sinking fund provisions, are not liable for further call or assessment, and are not entitled to cumulative voting rights. Subject to the prior rights of holders of preferred stock, the holders of common stock are entitled to share ratably in any dividends and in any assets remaining upon liquidation after satisfaction of the rights of the holders of preferred stock.

In June 2004, the Company entered into a license agreement with Blanchard relating to the Company's use of the Ken Blanchard name for its College of Business. Under the terms of that agreement the Company agreed to issue to Blanchard up to 909,348 shares of common stock with the actual number issued to be contingent upon the Company's achievement of stated enrollment levels in its College of Business during the term of the agreement. As of December 31, 2006, the Company deemed it probable that 182,600 shares would be earned and, as of August 15, 2007, those 182,600 shares were earned and due to Blanchard under this agreement. On May 9, 2008, the Company and Blanchard amended the terms of the agreement pursuant to which Blanchard was issued 365,200 shares of the Company's common stock in full settlement of all shares owed and contingently owed under this agreement. The fair value of the shares issued to Blanchard as part of the license agreement of \$3,394 was determined at the date it became probable that shares would then be earned and then adjusted until the date the shares were earned. This amount is included in the balance sheet as a component of "Prepaid Royalty" and will be amortized through operations as an expense over the remaining term of the license agreement.

Warrants to Purchase Common Stock

On June 25, 2004, the Company issued a warrant to the Institute (the "Institute Warrant") to purchase a 10.0% non-dilutive membership interest (later amended to be common stock), at an exercise price of \$1. The Institute Warrant was to have been exercisable for a one month period beginning on July 1, 2011. The Company had the right to repurchase the Institute Warrant prior to the exercise period for \$6,000. On

Grand Canyon Education, Inc.

Notes to 2005, 2006, and 2007 Financial Statements (Restated)
Notes to Unaudited Financial Statements for the Six Month Periods Ended June 30, 2007 and 2008
(In thousands of dollars, except share and per share data) — (Continued)

April 15, 2008 the Institute Warrant was repurchased with the execution of the settlement discussed in Note 2. The repurchase was accounted for as a reduction of equity, net of related tax benefit of \$2,316.

On June 28, 2004, the Company issued to Spirit a warrant to purchase a 5.0% membership interest in common stock of the Company (the "Spirit Warrant") for \$526, as adjusted to be 909,348 shares of common stock in conjunction with the conversion to a corporation. The Spirit Warrant is exercisable from January 1, 2005 through June 28, 2024 (the last day of the Spirit lease term). The Spirit Warrant, and any shares issuable upon exercise of the Spirit Warrant, are subject to repurchase at a fixed price of \$16,000 at any time prior to the earlier of the expiration date of the Spirit Warrant or three years after the Spirit Warrant is exercised. This repurchase option may be exercised in whole or in part, first, by the group of stockholders that constitute the former holders of the Company's membership interests and, second, if they do not exercise the option upon the occurrence of certain liquidity transactions, including an underwritten public offering that results in net cash proceeds of not less than \$30,000, by the Company. As of December 31, 2007 and June 30, 2008, the warrant had not been exercised nor had any of the repurchase rights been executed.

Investor Rights Agreement

The Company is a party to an investor rights agreement with certain of its investors, pursuant to which the Company has granted those persons or entities the right to register shares of common stock held by them under the Securities Act of 1933, as amended (the "Securities Act"). Certain of the holders of these rights are entitled to demand that the Company register their shares of common stock under the Securities Act, while others are entitled to "piggyback" registration rights in which they may require the Company to include their shares of common stock in future registration statements that may be filed, either for its own account or for the account of other security holders exercising registration rights. In addition, after an initial public offering, certain of these holders have the right to request that their shares of common stock be registered on a Form S-3 registration statement so long as the anticipated aggregate sales price of such registered shares as of the date of filing of the Form S-3 registration statement is at least \$1,000. The foregoing registration rights are subject to various conditions and limitations, including the right of underwriters of an offering to limit the number of registrable securities that may be included in an offering. The registration rights terminate as to any particular shares on the date on which the holder sells such shares to the public in a registered offering or pursuant to Rule 144 under the Securities Act. The Company is generally required to bear all of the expenses of these registrations, except underwriting commissions, selling discounts, and transfer taxes.

12. Income Taxes

The Company has deferred tax assets and liabilities that reflect the net tax effects of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for income tax purposes. Deferred tax assets are subject to periodic recoverability assessments. Realization of the deferred tax assets, net of deferred tax liabilities is principally dependent upon achievement of projected future taxable income. The Company has no valuation allowance at December 31, 2006 and 2007, or at June 30, 2008.

Grand Canyon Education, Inc.

Notes to 2005, 2006, and 2007 Financial Statements (Restated)
Notes to Unaudited Financial Statements for the Six Month Periods Ended June 30, 2007 and 2008
(In thousands of dollars, except share and per share data) — (Continued)

The components of income tax expense (benefit) are as follows:

	Year Ended December 31,			For the Six Months Ended June 30	
	2005	2006	2007	2007	2008
Current:					
Federal	\$ 219	\$ 2,221	\$ 2,194	\$ 494	\$ 1,814
State	34	456	478	106	399
	253	2,677	2,672	600	2,213
Deferred:					
Federal	(3,024)	(1,792)	(1,358)	—	(153)
State	(669)	(356)	(298)	—	(33)
	(3,693)	(2,148)	(1,656)	—	(186)
	<u>\$ (3,440)</u>	<u>\$ 529</u>	<u>\$ 1,016</u>	<u>\$ 600</u>	<u>\$ 2,027</u>

A reconciliation of income tax computed at the U.S. statutory rate to the effective income tax rate is as follows:

	Year Ended December 31,			For the Six Months Ended June 30,	
	2005	2006	2007	2007	2008
Statutory U.S. federal income tax rate (benefit)	(34.0)%	34.0%	34.0%	34.0%	34.0%
State income taxes, net of federal tax benefit	(2.5)	5.5	4.7	4.7	4.6
Recognition of deferred taxes upon charter conversion	(24.1)	—	—	—	—
Loss prior to charter conversion not subject to tax	15.2	—	—	—	—
Non deductible expenses	0.2	6.0	0.5	0.5	—
Other	0.7	1.4	0.8	0.8	—
Effective income tax rate (benefit)	<u>(44.5)%</u>	<u>46.9%</u>	<u>40.0%</u>	<u>40.0%</u>	<u>38.6%</u>

Grand Canyon Education, Inc.

Notes to 2005, 2006, and 2007 Financial Statements (Restated)
Notes to Unaudited Financial Statements for the Six Month Periods Ended June 30, 2007 and 2008
(In thousands of dollars, except share and per share data) — (Continued)

Significant components of the Company's deferred income tax assets and liabilities as of December 31, 2006 and 2007, and at June 30, 2008 are as follows:

	As of December 31,		As of June 30,
	2006	2007	2008
Current deferred tax asset (liability):			
Accounts receivable allowance for doubtful accounts	\$ 3,023	\$ 4,981	\$ 4,981
State taxes	(194)	(286)	(286)
Other	155	(55)	(55)
Current deferred tax asset	2,984	4,640	4,640
Non-current deferred tax asset (liability):			
Depreciation	1,938	1,712	1,712
Unrealized gains on available for sale securities	(23)	(52)	(8)
Redemption of Institute warrant	—	—	2,458
Intangibles	920	1,146	1,146
Non-current deferred tax asset	2,835	2,806	5,308
Net deferred tax asset	\$ 5,819	\$ 7,446	\$ 9,948

As of January 1, 2008, the Company adopted FASB interpretation No. 48 ("FIN 48"), *Accounting for Uncertainty in Income Taxes*, an interpretation of FASB Statement 109, *Accounting for Income Taxes*, which clarifies the accounting for uncertainty in tax positions. FIN 48 requires that the Company recognize the impact of a tax position in our financial statements if that position is more-likely-than-not of being sustained on audit, based on the technical merits of the position.

The adoption of FIN 48 did not result in an adjustment to opening retained earnings. The Company recognizes interest and penalties related to uncertain tax positions in income tax expense. As of June 30, 2008, the unrecognized tax benefit recorded was approximately \$52, which, if reversed, would impact the effective tax rate. The Company's uncertain tax positions are related to tax years that remain subject to examination by tax authorities. As of June 30, 2008, the earliest tax year still subject to examination for federal and state purposes is 2005. During the second quarter ended June 30, 2008, the Internal Revenue Service ("IRS") commenced an examination of our 2005 income tax return.

13. Regulatory

The Company is subject to extensive regulation by federal and state governmental agencies and accrediting bodies. In particular, the Higher Education Act and the regulations promulgated thereunder by the Department of Education subject the Company to significant regulatory scrutiny on the basis of numerous standards that schools must satisfy in order to participate in the various federal student financial assistance programs under Title IV of the Higher Education Act.

To participate in the Title IV programs, an institution must be authorized to offer its programs of instruction by the relevant agency of the state in which it is located, accredited by an accrediting agency recognized by the Department of Education and certified as eligible by the Department of Education. The Department of Education will certify an institution to participate in the Title IV programs only after the institution has demonstrated compliance with the Higher Education Act and the Department of Education's extensive regulations regarding institutional eligibility. An institution must also demonstrate its compliance to

Grand Canyon Education, Inc.

Notes to 2005, 2006, and 2007 Financial Statements (Restated)
Notes to Unaudited Financial Statements for the Six Month Periods Ended June 30, 2007 and 2008
(In thousands of dollars, except share and per share data) — (Continued)

the Department of Education on an ongoing basis. As of December 31, 2007 and June 30, 2008, management believes the Company is in compliance with the applicable regulations in all material respects.

The Higher Education Act requires accrediting agencies to review many aspects of an institution's operations in order to ensure that the training offered is of sufficiently high quality to achieve satisfactory outcomes, and that the institution is complying with accrediting standards. Failure to demonstrate compliance with accrediting standards may result in the imposition of probation or Show Cause orders, or the requirements of periodic reports, and ultimately the loss of accreditation if deficiencies are not remediated.

Political and budgetary concerns significantly affect the Title IV programs. Congress must reauthorize the student financial assistance programs of the Higher Education Act approximately every five to six years. The last comprehensive reauthorization of the Higher Education Act took place in 1998, and it has been temporarily extended several times since then. Congress has been considering a comprehensive reauthorization of the Higher Education Act.

A significant component of Congress' initiative to reduce abuse in the Title IV programs has been the imposition of limitations on institutions whose former students default on the repayment of their federally guaranteed or funded student loans above specific rates (cohort default rate). Although the Company is not obligated to repay any of its students' or former students' defaults on payments of their federally guaranteed student loans, if such default rates equal or exceed 25% for three consecutive years, the institution may lose its eligibility to participate in, and its students will be denied access to, the federally guaranteed and funded student loan programs and the Federal Pell Grant program. An institution whose cohort default rate for any federal fiscal year exceeds 40% may have its eligibility to participate in all of the Title IV programs limited, suspended or terminated by the Department of Education.

All institutions participating in the Title IV programs must satisfy specific standards of financial responsibility. The Department of Education evaluates institutions for compliance with these standards each year, based on the institution's annual audited financial statements, and also following a change in ownership, as defined by the Department of Education.

The Department of Education calculates the institution's composite score for financial responsibility based on its (i) equity ratio, which measures the institution's capital resources, ability to borrow and financial viability; (ii) primary reserve ratio, which measures the institution's ability to support current operations from expendable resources; and (iii) net income ratio, which measures the institution's ability to operate at a profit. An institution that does not meet the Department of Education's minimum composite score may demonstrate its financial responsibility by posting a letter of credit in favor of the Department of Education and possibly accepting other conditions on its participation in the Title IV programs. As of December 31, 2007, the Company satisfied each of the Department of Education's standards of financial responsibility. For the year ended December 31, 2007, the Company received \$69,696 of Title IV funds, out of total eligible cash receipts of \$94,216, resulting in a Title IV percentage of 74.0%.

Because the Company operates in a highly regulated industry, it, like other industry participants, may be subject from time to time to investigations, claims of non-compliance, or lawsuits by governmental agencies or third parties, which allege statutory violations, regulatory infractions, or common law causes of action. While there can be no assurance that regulatory agencies or third parties will not undertake investigations or make claims against the Company, or that such claims, if made, will not have a material adverse effect on the Company's business, results of operations or financial condition, management believes it has materially complied with all regulatory requirements.

Grand Canyon Education, Inc.

Notes to 2005, 2006, and 2007 Financial Statements (Restated)
Notes to Unaudited Financial Statements for the Six Month Periods Ended June 30, 2007 and 2008
(In thousands of dollars, except share and per share data) — (Continued)

14. Employee Benefit Plan

Effective February 1, 2004 the Company adopted a 401(k) Defined Contribution Benefit Plan (the “Plan”). The Plan provides eligible employees, upon date of hire, with an opportunity to make tax-deferred contributions into a long-term investment and savings program. All employees over the age of 21 are eligible to participate in the plan. The Plan allows eligible employees to contribute to the Plan subject to Internal Revenue Code restrictions and the Plan allows the Company to make discretionary matching contributions. No employer contributions were made for the years ended December 31, 2005 and 2006. The Company made discretionary matching contributions to the plan of \$250 for the year ended December 31, 2007. No matching contribution was made to the plan during the first six months of 2007 or 2008.

15. Related Party Transactions

Related party transactions include transactions between the Company and certain of its shareholders and affiliates. The following transactions were in the normal course of operations and were measured at the exchange amount, which is the amount of consideration established and agreed to by the parties.

As of and for the years ended December 31, 2005, 2006, and 2007, and as of and for the six months ended June 30, 2008, related party transactions consisted of the following:

Shareholders

Significant Education Holding, LLC (Sig Ed) — At December 31, 2007 and June 30, 2008, Sig Ed holds 18,260,000 shares of the Company’s common stock. The Company has not engaged in any transactions with Sig Ed, but has engaged in certain transactions with members of Sig Ed, as discussed below.

220 Partners, LLC (220 Partners) — 220 Partners, which is affiliated with several entities that hold membership interests in Sig Ed and a former director of the Company, received management, consulting fees, and reimbursed expenses of \$299, \$299, \$0 and \$0 in the years ended December 31, 2005, 2006, and 2007, and in the six months ended June 30, 2008, respectively. There were no amounts due from or payable to 220 Partners at December 31, 2006, and 2007 or at June 30, 2008.

Affiliates of 220 Partners purchased 632 shares of Series C for \$2,212 in 2007, of which \$1,409 was due as of December 31, 2007 and was included in the due from related parties on the accompanying balance sheet. This amount was paid January 6, 2008. There were no other amounts due from or payable to an affiliate of 220 Partners at December 31, 2006 and 2007 or at June 30, 2008.

Rich Crow Enterprises, LLC (Rich Crow) — Members of Rich Crow include the Executive Chairman and General Counsel of the Company who are also both Directors. Rich Crow also is a member of Sig Ed. A member of Rich Crow is also related to the owner of a company that provided marketing services totaling \$454, \$115 and \$218 in the year ended December 31, 2007, and the six months ended June 30, 2007 and 2008, respectively, of which \$72 and \$20 were owed at December 31, 2007, and June 30, 2008, respectively.

The Company had a non-cancelable operating lease agreement for administrative facilities with Arrowhead Holdings Management Co., LLC (Arrowhead), a management company owned by, among others, irrevocable trust for the benefit of the Company’s Executive Chairman and General Counsel. The Company paid \$155, \$0, \$0 and \$0 for services and reimbursements during the years ended December 31, 2005, 2006, and 2007, and the six months ended June 30, 2008, respectively.

Members of Rich Crow had a \$2,000 irrevocable letter of credit in favor of the Company as discussed further in Note 6. During 2006, this letter of credit was transferred from Rich Crow and collateralized by cash of the Company and secured by the lease facilities of the Company.

Grand Canyon Education, Inc.

Notes to 2005, 2006, and 2007 Financial Statements (Restated)
Notes to Unaudited Financial Statements for the Six Month Periods Ended June 30, 2007 and 2008
(In thousands of dollars, except share and per share data) — (Continued)

Significant Ventures, LLC (Significant Ventures) — Significant Ventures is a member of Sig Ed. In the years ended December 31, 2005, 2006, and 2007, and the six months ended June 30, 2008, the Company made payments of \$124, \$390, \$0, and \$0, respectively, to Significant Ventures for services and reimbursement of expenses. There were no amounts due from or payable to Significant Ventures as of December 31, 2006, and 2007 or June 30, 2008.

Endeavour Capital Fund IV, LP, Endeavour Associated Fund IV, LP, and Endeavour Capital Parallel Fund IV, LP (Endeavour) — Members of the Company's Board of Directors are also employees of Endeavour. In March 2005, the Company obtained \$14,000 from Endeavour in exchange for the issuance of senior secured promissory notes. The Company paid interest of \$340 to Endeavour in relation to the notes. On August 24, 2005, the principal balance on the promissory notes was exchanged for Series A. The Company also paid Endeavour management and reimbursed fees of \$88, \$269, \$296, and \$211 for the years ended December 31, 2005, 2006 and 2007, and the six months ended June 30, 2008, respectively. As of December 31, 2006 and 2007 and June 30, 2008 there were no amounts due from or payable to Endeavour.

Affiliates

Mind Streams, LLC (Mind Streams) and 21st Century, LLC (21st Century) — Mind Streams and 21st Century are owned and operated, in part, by the father of the Company's Executive Chairman and General Counsel. See further discussion in Note 2, Summary of Significant Accounting Policies — Selling and Promotional.

Youth In Motion — Youth In Motion is owned by the Chief Operating Officer (COO) of the Company. The Company paid consulting fees and expense reimbursements to Youth In Motion of \$188, \$113, \$0 and \$0 in the years ended December 31, 2005, 2006, and 2007, and the six months ended June 30, 2008, respectively. There were no amounts due from or payable to Youth In Motion at December 31, 2006 and 2007 or June 30, 2008.

The Center for Educational Excellence, LLC (CEE) — Members of CEE include the COO of the Company. The Company paid \$607 and \$183 of expenses on CEE's behalf during the year ended December 31, 2007 and the six months ended June 30, 2008, respectively, and was reimbursed \$331, and \$4, respectively, and was owed \$276 and \$455, respectively, included in due from related parties at December 31, 2007 and June 30, 2008.

16. Valuation and Qualifying Accounts

	Balance at Beginning of Year	Charged to Expense	Deductions(1)	Balance at End of Year
Allowance for doubtful accounts receivable:				
Year ended December 31, 2005	\$ 2,868	2,632	(1,132)	\$ 4,368
Year ended December 31, 2006	\$ 4,368	4,664	(1,652)	\$ 7,380
Year ended December 31, 2007	\$ 7,380	6,257	(1,479)	\$ 12,158
Six months ended June 30, 2008	\$ 12,158	4,052	(768)	\$ 15,442

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

17. Subsequent Events

Higher Education Opportunity Act: On July 31, 2008, Congress passed the Higher Education Opportunity Act (the "2008 Act"), which reauthorized and made numerous changes to the HEA and its

Grand Canyon Education, Inc.

Notes to 2005, 2006, and 2007 Financial Statements (Restated)
Notes to Unaudited Financial Statements for the Six Month Periods Ended June 30, 2007 and 2008
(In thousands of dollars, except share and per share data) — (Continued)

programs. President Bush signed the 2008 Act on August 14, 2008. The HEA, 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 to the HEA will affect how the Company complies with the requirement that it receives a certain proportion of its revenue from other than the Title IV programs and with the cohort default rate requirement. Prior to the enactment of the 2008 Act, changes made by Congress have 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 on-line education programs and students.

Litigation: On August 14, 2008, the Office of Inspector General (“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 currently in the early stages of reviewing documents and emails that may be responsive to the OIG’s subpoena. The outcome of the OIG investigation may depend in part on information contained in these materials or in any information or testimony that may be provided by former employees or other third parties.

On September 11, 2008, the Company was served with a *qui tam* lawsuit that had been filed against it 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. A *qui tam* action is always filed under seal and remains under seal until the government decides whether to intervene in the case. If the government intervenes, it takes over primary control of the litigation. If the government declines to intervene in the case, the relator may nonetheless elect to continue to pursue the litigation on behalf of the government. In this case, the *qui tam* lawsuit was initially filed under seal in August 2007 and was unsealed and served on the Company following the government’s decision not to intervene at this time.

While the Company does not believe it has had significant, if any, violations, 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 if there were to be an adverse outcome in the *qui tam* litigation.

Charter Amendment: On September 26, 2008 the Company’s Board of Directors approved an amendment to the Company’s charter to increase the Company’s authorized common stock to 100,000,000 common shares. This charter amendment was approved by the Company’s stockholders on September 27, 2008 and became effective on September 29, 2008.

Stock Split: On September 26, 2008, the Company’s Board of Directors declared a 1,826 for one stock split of its outstanding common stock, which became effective on September 29, 2008. This stock split resulted in the issuance of approximately 19.2 million additional shares of common stock. All information presented in the accompanying financial statements have been adjusted to reflect the 1,826 for one stock split.

Initial Public Offering and Distribution of Dividends: In 2008, the Company commenced preparation for an initial public offering. On September 26, 2008 the Company’s Board of Directors approved the payment of a special distribution to its stockholders of record as of September 26, 2008 to be paid from the proceeds of the initial public offering in the amount of 75% of the gross offering proceeds, if and when it is completed.

Adoption of Equity Plans: On September 27, 2008 the Company’s stockholders 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 our common stock has been authorized for issuance under the Incentive Plan. This reserve will automatically increase on a cumulative basis on January 1, 2009 and each subsequent anniversary through 2017, by an amount equal to the smaller of (a) 2.5% of the number of shares of common

Grand Canyon Education, Inc.

Notes to 2005, 2006, and 2007 Financial Statements (Restated)
Notes to Unaudited Financial Statements for the Six Month Periods Ended June 30, 2007 and 2008
(In thousands of dollars, except share and per share data) — (Continued)

stock issued and outstanding on the immediately preceding December 31, or (b) a lesser amount determined by our board of directors. Shares subject to awards that expire or are cancelled or forfeited will again become available for issuance under the Incentive Plan. The Incentive Plan allows for incentive stock options to be granted to employees and allows for nonstatutory stock options, stock appreciation rights, restricted stock purchase rights or bonuses, restricted stock units, performance shares, performance units, and cash-based awards to be granted to employees, officers, directors or consultants. Only members of the board of directors who are not employees at the time of grant will be eligible to participate in the non-employee director awards component of the Incentive Plan. The board of directors or the compensation committee will set the amount and type of non-employee director awards to be awarded on a periodic, non-discriminatory basis. In the event of a change in control, as described in the Incentive Plan, the acquiring or successor entity may assume or continue all or any awards outstanding under the Incentive Plan or substitute substantially equivalent awards. Any awards that are not assumed or continued in connection with a change in control or are not exercised or settled prior to the change in control will terminate effective as of the time of the change in control. The compensation committee may provide for the acceleration of vesting of any or all outstanding awards at its discretion including, but not limited to, upon a change in control. Upon a change in control, the vesting of all non-employee director awards will automatically be accelerated in full. The Incentive Plan also authorizes the compensation committee, in its discretion and without the consent of any participant, to cancel each or any outstanding award denominated in shares upon a change in control in exchange for a payment to the participant with respect to each share subject to the cancelled award of an amount equal to the excess of the consideration to be paid per share of common stock in the change in control transaction over the exercise price per share, if any, under the award.

A total of 1,049,984 shares of our common stock has been authorized for sale under the ESPP. In addition, the ESPP will provide for an automatic annual increase in the number of shares available for issuance under the plan on January 1 of each year beginning in 2009 and continuing through and including January 1, 2017 equal to the lesser of (a) 1.0% of our then issued and outstanding shares of common stock on the immediately preceding December 31, or (b) a number of shares as our board of directors may determine. Our employees, and the employees of any future parent or subsidiary corporation or other affiliated entity, will be eligible to participate in the ESPP if they are customarily employed by us, or such other entity, if applicable, for more than 20 hours per week and more than five months in any calendar year. However, an employee may not be granted a right to purchase stock under the ESPP if: (a) the employee immediately after such grant would own stock possessing 5% or more of the total combined voting power or value of all classes of our capital stock, or (b) the employee's rights to purchase stock under the ESPP and Incentive Plan would accrue at a rate that exceeds \$25,000 in value for each calendar year of participation in such plans. The ESPP will be implemented through a series of sequential offering periods, generally three months in duration beginning on the first trading days of February, May, August, and November each year. Amounts accumulated for each participant, generally through payroll deductions, will be credited toward the purchase of shares of our common stock at the end of each offering period at a price generally equal to 95% of the fair market value of our common stock on the purchase date. Prior to commencement of an offering period, the compensation committee has been authorized to change the purchase price discount for that offering period, but the purchase price may not be less than 85% of the lower of the fair market value of our common stock at the beginning of the offering period or at the end of the offering period.

18. Pro Forma Information (Unaudited)

As the special distribution referred to in Note 17 represents distributions to existing shareholders to be made from the proceeds of an initial public offering the accompanying pro forma balance sheet as of June 30, 2008 reflecting the distribution, but not giving effect to the offering proceeds, is presented. In addition, as the

Grand Canyon Education, Inc.

Notes to 2005, 2006, and 2007 Financial Statements (Restated)
Notes to Unaudited Financial Statements for the Six Month Periods Ended June 30, 2007 and 2008
(In thousands of dollars, except share and per share data) — (Continued)

amount of distribution exceeds net income for the twelve-month period ended June 30, 2008, pro forma earnings per common share, basic and diluted, are presented in the accompanying statements of operations for the year ended December 31, 2007 and for the six-month period ended June 30, 2008, giving effect to the number of shares that would be required to be issued at an assumed initial public offering price of \$19.00 per share to pay the amount of dividends that exceeds net income for the twelve-month period ended June 30, 2008. The calculations of the pro forma earnings per common share, basic and diluted, discussed above are as follows:

Calculation of number of additional shares to be issued:

Net income available to common stockholders for the year ended December 31, 2007	\$ 1,177
Less net income available to common stockholders for the six-month period ended June 30, 2007	(734)
Plus net income available to common stockholders for the six-month period ended June 30, 2008	2,703
Net income available to common stockholders for the twelve-month period ended June 30, 2008	\$ 3,146
Amount of dividends to be paid	149,625
Excess of dividends over earnings	\$ 146,479
Number of shares required to be issued at \$19 per share to pay excess of dividends over earnings	7,709,421

Calculation of pro forma earnings per common share, basic and diluted:

	Year Ended December 31, 2007	Six-Month Period Ended June 30, 2008
Net income available to common stockholders	\$ 1,177	\$ 2,703
Shares used in computing earnings per common share — historical:		
Basic	18,922,838	19,089,004
Diluted	35,143,196	32,623,316
Shares used in computing earnings per common share — pro forma:		
Basic	26,632,259	26,798,425
Diluted	42,852,617	40,332,737
Pro forma earnings per common share:		
Basic	\$ 0.04	\$ 0.10
Diluted	\$ 0.03	\$ 0.06



Grand Canyon University is committed to providing an academically rigorous educational experience with a focus on career-oriented programs that meet the objectives of working adults.





PART II
INFORMATION NOT REQUIRED IN PROSPECTUS

Item 13. *Other Expenses of Issuance and Distribution.*

The following are the estimated expenses to be incurred in connection with the issuance and distribution of the securities registered under this registration statement, other than underwriting discounts and commissions. All amounts shown are estimates except the SEC registration fee and the Financial Industry Regulatory, Inc. filing fee. The following expenses will be borne solely by the registrant.

SEC registration fee	\$ 9,491
FINRA filing fee	23,500
Nasdaq listing fee	125,000
Legal fees and expenses	2,406,000
Accounting fees and expenses	2,410,000
Printing expenses	528,000
Transfer agent fees and expenses	50,000
Miscellaneous expenses	248,009
Total	\$ 5,800,000

Item 14. *Indemnification of Directors and Officers.*

Section 145(a) of the DGCL provides, in general, that a corporation may indemnify any person who was or is a party or is threatened to be made a party to any threatened, pending, or completed action, suit, or proceeding, whether civil, criminal, administrative, or investigative (other than an action by or in the right of the corporation), because he or she is or was a director, officer, employee, or agent of the corporation, or is or was serving at the request of the corporation as a director, officer, employee, or agent of another corporation, partnership, joint venture, trust, or other enterprise, against expenses (including attorneys' fees), judgments, fines, and amounts paid in settlement actually and reasonably incurred by the person in connection with such action, suit, or proceeding, if he or she acted in good faith and in a manner he or she reasonably believed to be in or not opposed to the best interests of the corporation and, with respect to any criminal action or proceeding, had no reasonable cause to believe his or her conduct was unlawful.

Section 145(b) of the DGCL provides, in general, that a corporation may indemnify any person who was or is a party or is threatened to be made a party to any threatened, pending, or completed action or suit by or in the right of the corporation to procure a judgment in its favor because the person is or was a director, officer, employee, or agent of the corporation, or is or was serving at the request of the corporation as a director, officer, employee, or agent of another corporation, partnership, joint venture, trust, or other enterprise, against expenses (including attorneys' fees) actually and reasonably incurred by the person in connection with the defense or settlement of such action or suit if he or she acted in good faith and in a manner he or she reasonably believed to be in or not opposed to the best interests of the corporation, except that no indemnification shall be made with respect to any claim, issue, or matter as to which he or she shall have been adjudged to be liable to the corporation unless and only to the extent that the Court of Chancery or other adjudicating court determines that, despite the adjudication of liability but in view of all of the circumstances of the case, he or she is fairly and reasonably entitled to indemnity for such expenses which the Court of Chancery or other adjudicating court shall deem proper.

Section 145(g) of the DGCL provides, in general, that a corporation may purchase and maintain insurance on behalf of any person who is or was a director, officer, employee, or agent of the corporation, or is or was serving at the request of the corporation as a director, officer, employee, or agent of another corporation, partnership, joint venture, trust or other enterprise against any liability asserted against such person and incurred by such person in any such capacity, or arising out of his or her status as such, whether or not the corporation would have the power to indemnify the person against such liability under Section 145 of the DGCL.

Section 8.1 of our bylaws that will be in effect upon completion of this offering will provide that we will indemnify, to the fullest extent permitted by the DGCL, any person who was or is made or is threatened to be made a party or is otherwise involved in any action, suit, or proceeding, whether civil, criminal, administrative, or investigative, by reason of the fact that he, or a person for whom he is the legal representative, is or was one of our directors or officers or, while serving as one of our directors or officers, is or was serving at our request as a director, officer, employee, or agent of another corporation or of another entity, against all liability and loss suffered and expenses (including attorneys' fees) reasonably incurred by such person, subject to limited exceptions relating to indemnity in connection with a proceeding (or part thereof) initiated by such person. Section 8.1 of our bylaws that will be in effect upon completion of this offering will further provide for the advancement of expenses to each of our officers and directors.

Article IX of our charter that will be in effect upon completion of this offering will provide that, to the fullest extent permitted by the DGCL, as the same exists or may be amended from time to time, our directors shall not be personally liable to us or our stockholders for monetary damages for breach of fiduciary duty as a director. Under Section 102(b)(7) of the DGCL, the personal liability of a director to the corporation or its stockholders for monetary damages for breach of fiduciary duty can be limited or eliminated except (i) for any breach of the director's duty of loyalty to the corporation or its stockholders; (ii) for acts or omissions not in good faith or which involve intentional misconduct or a knowing violation of law; (iii) under Section 174 of the DGCL (relating to unlawful payment of dividend or unlawful stock purchase or redemption); or (iv) for any transaction from which the director derived an improper personal benefit.

We also intend to maintain a general liability insurance policy which covers certain liabilities of directors and officers of our company arising out of claims based on acts or omissions in their capacities as directors or officers, whether or not we would have the power to indemnify such person against such liability under the DGCL or the provisions of charter or bylaws.

In connection with the sale of common stock being registered hereby, we intend to enter into indemnification agreements with each of our directors and our executive officers. These agreements will provide that we will indemnify each of our directors and such officers to the fullest extent permitted by law and by our charter and bylaws.

In any underwriting agreement we enter into in connection with the sale of common stock being registered hereby, the underwriters will agree to indemnify, under certain conditions, us, our directors, our officers and persons who control us, within the meaning of the Securities Act, against certain liabilities.

Item 15. *Recent Sales of Unregistered Securities.*

In the three years preceding the filing of this registration statement, we have issued the following securities that were not registered under the Securities Act:

Preferred Stock

On March 31, 2005, we sold \$14.0 million aggregate principal amount of notes to the Endeavour Entities. On August 24, 2005, we sold 5,953 shares of our newly designated Series A convertible preferred stock at a purchase price of \$3,233.67 per share, or \$19.3 million total, of which 4,948 shares were sold to the Endeavour Entities and 1,005 shares were sold to 220 GCU, L.P. A substantial portion of the purchase price paid by the Endeavour Entities was paid through the contributions to us of the notes that were previously issued to the Endeavour Entities. The sales were made in reliance on Section 4(2) of the Securities Act.

On December 31, 2005, we issued 2,163 shares of our newly designated Series B preferred stock and received gross proceeds of approximately \$7.0 million, or \$3,236.25 per share, in the form of a stock subscription receivable. The receivable was subsequently paid in April 2006. Of these shares, 1,298 were sold to the Endeavour Entities and 865 were sold to Rich Crow Enterprises, LLC. The sales were made in reliance on Section 4(2) of the Securities Act.

On December 18, 2007, we sold an aggregate of 3,829 shares of our newly designed Series C preferred stock at a purchase price of \$3,500 per share, or approximately \$13.4 million total, of which 1,675 shares were sold to the Endeavour Entities, 834 shares were sold to Rich Crow Enterprises, LLC, and 935 shares were sold to the 220 Entities. The purchase price payable by Rich Crow Enterprises for its shares of Series C

preferred stock was paid in part by the exchange of the 865 outstanding shares of Series B preferred stock it purchased in 2006. The sales were made in reliance on Rule 506 of Regulation D promulgated under the Securities Act.

Item 16. Exhibits and Financial Statement Schedules.

(a) Exhibits.

<u>Number</u>	<u>Description</u>
1.1	Form of Underwriting Agreement#
3.1	Amended and Restated Certificate of Incorporation
3.2	Amended and Restated Bylaws
4.1	Specimen of Stock Certificate
4.2	Amended and Restated Investor Rights Agreement, dated September 17, 2008, by and among Grand Canyon Education, Inc. and the other parties named therein
5.1	Opinion of DLA Piper LLP (US)
10.1	Amended and Restated Executive Employment Agreement, dated September 10, 2008, by and between Grand Canyon Education, Inc. and Brent Richardson†
10.2	Amended and Restated Executive Employment Agreement, dated September 10, 2008, by and between Grand Canyon Education, Inc. and Christopher Richardson†
10.3	Amended and Restated Senior Management Agreement, dated September 10, 2008, by and between Grand Canyon Education, Inc. and John Crowley†
10.4	2008 Equity Incentive Plan†
10.5	2008 Employee Stock Purchase Plan†
10.6	Lease Agreement, effective June 28, 2004, by and between Spirit Finance Acquisitions, LLC and Significant Education, LLC#
10.7	First Amendment to Lease Agreement, effective September 24, 2004, by and between Spirit Finance Acquisitions, LLC and Significant Education, LLC#
10.8	Second Amendment to Lease Agreement, effective August 23, 2005, by and between Spirit Master Funding, LLC and Significant Education, LLC#
10.9	Third Amendment to Lease Agreement, effective June 2006, by and between Spirit Master Funding, LLC and Significant Education, Inc.#
10.10	Fourth Amendment to Lease Agreement, effective August 9, 2006, by and between Spirit Master Funding, LLC and Significant Education, Inc.#
10.11	Fifth Amendment to Lease Agreement, effective December 31, 2006, by and between Spirit Master Funding, LLC and Significant Education, Inc.#
10.12	Sixth Amendment to Lease Agreement, effective September 30, 2007, by and between Spirit Master Funding, LLC and Significant Education, Inc.#
10.13	Seventh Amendment to Lease Agreement, effective March 28, 2008, by and between Spirit Master Funding, LLC and Significant Education, Inc.#
10.14	License Agreement, dated June 30, 2004, by and between Blanchard Education, LLC and Significant Education, LLC#
10.15	Letter Agreement, dated February 6, 2006, by and between The Ken Blanchard Companies and Grand Canyon University#
10.16	Amendment to License Agreement, dated May 8, 2008, by and between Blanchard Education, LLC and Grand Canyon Education, Inc.#
10.17	Collaboration Agreement, dated July 11, 2005, by and between Mind Streams, LLC and Significant Education, LLC (as supplemented by Project One and Project Two)#
10.18	Executive Employment Agreement, dated June 25, 2008, by and between Grand Canyon Education, Inc. and Daniel E. Bachus†#
10.19	Executive Employment Agreement, dated June 25, 2008, by and between Grand Canyon Education, Inc. and Brian E. Mueller†#

Number	Description
10.20	Executive Employment Agreement, dated June 25, 2008, by and between Grand Canyon Education, Inc. and W. Stan Meyer†#
10.21	Form of Director and Officer Indemnity Agreement
23.1	Consent of DLA Piper LLP (US) (included in Exhibit 5.1)
23.2	Consent of Independent Registered Public Accounting Firm
24.1	Power of Attorney#
99.1	Consent of David J. Johnson#
99.2	Consent of Jack A. Henry#

Significant Education, LLC is the predecessor to Significant Education, Inc., which is the former name of Grand Canyon Education, Inc.

Previously filed.

† Indicates a management contract or any compensatory plan, contract or arrangement.

(b) Financial Statement Schedules

All schedules are omitted because they are not required, are not applicable or, the information is included in the financial statements or the notes thereto.

Item 17. Undertakings.

Insofar as indemnification for liabilities arising under the Securities Act may be permitted to our directors, officers, and controlling persons pursuant to the foregoing provisions, or otherwise, we have been advised that in the opinion of the SEC such indemnification is against public policy as expressed in the Securities Act and is, therefore, unenforceable. In the event that a claim for indemnification against such liabilities (other than the payment by us of expenses incurred or paid by a director, officer, or controlling person of us in the successful defense of any action, suit, or proceeding) is asserted by such director, officer, or controlling person in connection with the securities being registered, we will, unless in the opinion of counsel the matter has been settled by controlling precedent, submit to a court of appropriate jurisdiction the question whether such indemnification by us is against public policy as expressed in the Securities Act and will be governed by the final adjudication of such issue.

The undersigned registrant hereby undertakes to provide to the underwriters at the closing specified in the underwriting agreement, certificates in such denominations and registered in such names as required by the underwriters to permit prompt delivery to each purchaser.

We hereby undertake that:

(i) for purposes of determining any liability under the Securities Act, the information omitted from the form of prospectus filed as part of this registration statement in reliance upon Rule 430A and contained in a form of prospectus filed by the registrant pursuant to Rule 424(b)(1) or (4) or 497(h) under the Securities Act shall be deemed to be part of this registration statement as of the time it was declared effective.

(ii) for purposes of determining any liability under the Securities Act, each post-effective amendment that contains a form of prospectus shall be deemed to be a new registration statement relating to the securities offered therein, and the offering of such securities at that time shall be deemed to be the initial bona fide offering thereof.

SIGNATURES

Pursuant to the requirements of the Securities Act of 1933, the registrant has duly caused this registration statement to be signed on its behalf by the undersigned, thereunto duly authorized, in the City of Phoenix, State of Arizona on September 29, 2008.

GRAND CANYON EDUCATION, INC.

By: /s/ Brian E. Mueller
Brian E. Mueller
Chief Executive Officer

Pursuant to the requirements of the Securities Act, this registration statement and the Power of Attorney has been signed by the following persons in the capacities and on the dates indicated.

Signature	Title	Date
<u>*</u> Brent D. Richardson	Executive Chairman	September 29, 2008
<u>/s/ Brian E. Mueller</u> Brian E. Mueller	Chief Executive Officer (Principal Executive Officer)	September 29, 2008
<u>/s/ Daniel E. Bachus</u> Daniel E. Bachus	Chief Financial Officer (Principal Financial and Principal Accounting Officer)	September 29, 2008
<u>/s/ Christopher C. Richardson</u> Christopher C. Richardson	General Counsel and Director	September 29, 2008
<u>*</u> D. Mark Dorman	Director	September 29, 2008
<u>*</u> Chad N. Heath	Director	September 29, 2008
<u>*By: /s/ Christopher C. Richardson</u> Christopher C. Richardson Attorney-in-fact		

EXHIBIT INDEX

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99.2	Consent of Jack A. Henry#

Significant Education, LLC is the predecessor to Significant Education, Inc., which is the former name of Grand Canyon Education, Inc.

Previously filed.

† Indicates a management contract or any compensatory plan, contract or arrangement.

**AMENDED AND RESTATED CERTIFICATE OF INCORPORATION OF
GRAND CANYON EDUCATION, INC.**

ARTICLE I

The name of the Corporation is Grand Canyon Education, Inc.

ARTICLE II

The address of the Corporation's registered office in the State of Delaware is 615 South Dupont Highway, Dover, County of Kent, Delaware 19901. The name of its registered agent at such address is Capitol Services, Inc.

ARTICLE III

The nature of the business of the Corporation and the purposes for which it is organized are to engage in any business and in any lawful act or activity for which corporations may be organized under the Delaware General Corporation Law and to possess and employ all powers and privileges now or hereafter granted or available under the laws of the State of Delaware to such corporations.

ARTICLE IV

The Corporation is authorized to issue two classes of stock, to be designated "Common Stock," with a par value of \$0.001 per share, and "Preferred Stock," with a par value of \$0.001 per share. The total number of shares of Common Stock that the Corporation shall have authority to issue is 100,000,000, and the total number of shares of Preferred Stock that the Corporation shall have authority to issue is 10,000,000.

The Corporation's Board of Directors is authorized, subject to any limitations prescribed by law, to provide for the issuance of the shares of Preferred Stock in series, and by filing a certificate pursuant to the applicable law of the State of Delaware, to establish from time to time the number of shares to be included in each such series, and to fix the designation, powers, preferences and rights of the shares of each such series and any qualifications, limitations or restrictions thereof. The number of authorized shares of any class of capital stock of the Corporation may be increased or decreased (but not below the number of shares thereof then outstanding) by the affirmative vote of the holders of a majority of the outstanding Common Stock of the Corporation, without the approval of the holders of the Preferred Stock, or of any series thereof, unless the approval of any such holders is required pursuant to the certificate or certificates establishing any series of Preferred Stock.

ARTICLE V

The following provisions are inserted for the management of the business and the conduct of the affairs of the Corporation, and for further definition, limitation and regulation of the powers of the Corporation and of its directors and stockholders:

A. The business and affairs of the Corporation shall be managed by or under the direction of the Board of Directors. In addition to the powers and authority expressly conferred upon them by statute or by this Certificate of Incorporation or the By-Laws of the Corporation, the directors are hereby empowered to exercise all such powers and do all such acts and things as may be exercised or done by the Corporation.

B. The directors of the Corporation need not be elected by written ballot unless the By-Laws so provide.

C. Effective upon the closing of the Corporation's initial public offering of Common Stock pursuant to an effective registration statement filed under the Securities Act of 1933, as amended (the "Initial Public Offering"), any action required or permitted to be taken by the stockholders of the Corporation must be effected at a duly called annual or special meeting of stockholders of the Corporation and may not be effected by any consent in writing by such stockholders. At all times prior to the closing of the Corporation's Initial Public Offering, any action which may be taken at any annual or special meeting of stockholders may be taken without a meeting and without prior notice, if a consent in writing, setting forth the actions so taken, is signed by the holders of outstanding shares having not less than the minimum number of votes that would be necessary to authorize or take such action at a meeting at which all shares entitled to vote thereon were present and voted. All such consents shall be filed with the Secretary of the Corporation and shall be maintained in the corporate records. Prompt notice of the taking of a corporate action without a meeting by less than unanimous written consent shall be given to those stockholders who have not consented in writing.

D. Special meetings of stockholders of the Corporation may be called only by either the Board of Directors, the Chairman of the Board or the President.

ARTICLE VI

A. The number of directors shall initially be four (4) and, thereafter, shall be fixed from time to time exclusively by the Board of Directors. All directors shall hold office until the expiration of the term for which elected, and until their respective successors are elected, except in the case of the death, resignation, or removal of any director.

B. Subject to the rights of the holders of any series of Preferred Stock then outstanding, newly created directorships resulting from any increase in the authorized number of directors or any vacancies in the Board of Directors resulting from death, resignation or other cause (including removal from office by a vote of the stockholders) may be filled only by a majority vote of the directors then in office, though less than a quorum, or by the sole remaining director and directors so chosen shall hold office for a term expiring at the next annual meeting of stockholders at which the term of office of the class to which they have been elected expires, and until their respective successors are elected, except in the case of the death, resignation, or removal of any director. No decrease in the number of directors constituting the Board of Directors shall shorten the term of any incumbent director.

C. Subject to the rights of the holders of any series of Preferred Stock then outstanding, any directors, or the entire Board of Directors, may be removed from office at any time, but only for cause and only by the affirmative vote of the holders of at least a majority of the voting power of all of the then outstanding shares of capital stock of the Corporation entitled to vote generally in the election of directors, voting together as a single class.

ARTICLE VII

The Board of Directors is expressly empowered to adopt, amend or repeal By-Laws of the Corporation. The stockholders shall also have power to adopt, amend or repeal the By-Laws of the Corporation. Any adoption, amendment or repeal of By-Laws of the Corporation by the stockholders shall require, in addition to any vote of the holders of any class or series of stock of the Corporation required by law or by this Certificate of Incorporation, the affirmative vote of the holders of at least sixty-six and two-thirds percent (66-2/3%) of the voting power of all of the then outstanding shares of the capital stock of the Corporation entitled to vote generally in the election of directors, voting together as a single class.

ARTICLE VIII

A director of the Corporation shall not be personally liable to the Corporation or its stockholders for monetary damages for breach of fiduciary duty as a director, except for liability (i) for any breach of the director's duty of loyalty to the Corporation or its stockholders, (ii) for acts or omissions not in good faith or which involved intentional misconduct or a knowing violation of law, (iii) under Section 174 of the Delaware General Corporation Law, or (iv) for any transaction from which the director derived an improper personal benefit. If the Delaware General Corporation Law is hereafter amended to authorize the further elimination or limitation of the liability of a director, then the liability of a director of the Corporation shall be eliminated or limited to the fullest extent permitted by the Delaware General Corporation Law, as so amended. Any repeal or modification of the foregoing provisions of this Article EIGHTH by the stockholders of the Corporation shall not adversely affect any right or protection of a director of the Corporation existing at the time of such repeal or modification.

ARTICLE IX

The Corporation reserves the right to amend, alter, change, or repeal any provision contained in this Certificate of Incorporation in the manner prescribed by the laws of the State of Delaware and all rights conferred upon stockholders are granted subject to this reservation; provided, however, that, notwithstanding any other provision of this Certificate of Incorporation or any provision of law which might otherwise permit a lesser vote or no vote, but in addition to any vote of the holders of any class or series of the stock of this Corporation required by law or by this Certificate of Incorporation, effective as of the closing of the Initial Public Offering, the affirmative vote of the holders of at least 66-2/3% of the voting power of all of the then outstanding shares of the capital stock of the Corporation entitled to vote generally in the election of directors, voting together as a single class, shall be required to amend or repeal this Article NINTH, Article FIFTH, Article SIXTH, Article SEVENTH or Article EIGHTH.

**AMENDED AND RESTATED BYLAWS
OF
GRAND CANYON EDUCATION, INC.**

A Delaware Corporation

PREAMBLE

These amended and restated bylaws (the “Bylaws”) are subject to, and governed by, the General Corporate Law of the State of Delaware (the “DGCL”) and the amended and restated certificate of incorporation (the “Certificate”) of Grand Canyon Education, Inc., a Delaware corporation (the “Corporation”). In the event of a direct conflict between the provisions of these Bylaws and the mandatory provisions of the DGCL or the provisions of the Certificate, such provisions of the DGCL or the Certificate, as the case may be, will be controlling.

**ARTICLE I
OFFICES**

1.1 Registered Office and Agent. The registered office and registered agent of the Corporation shall be designated from time to time by the appropriate filing by the Corporation in the office of the Secretary of State of the State of Delaware.

1.2 Other Offices. The Corporation may also have offices at such other places, both within and without the State of Delaware, as the Board of Directors may from time to time determine or as the business of the Corporation may require.

**ARTICLE II
STOCKHOLDERS**

2.1 Place of Meetings. All meetings of stockholders shall be held at such place (if any) within or without the State of Delaware as may be designated from time to time by the Board of Directors or the President and Chief Executive Officer.

2.2 Annual Meeting. The annual meeting of stockholders for the election of directors and for the transaction of such other business as may properly be brought before the meeting shall be held on a date to be fixed by the Board of Directors at the time and place to be fixed by the Board of Directors and stated in the notice of the meeting. In lieu of holding an annual meeting of stockholders at a designated place, the Board of Directors may, in its sole discretion, determine that any annual meeting of stockholders may be held solely by means of remote communication.

2.3 Special Meetings. Special meetings of stockholders may be called at any time by the Board of Directors, the Chairman of the Board or the President or the holders of record of not less than 10% of all shares entitled to cast votes at the meeting, for any purpose or purposes prescribed in the notice of the meeting and shall be held at such place (if any), on such date and at such time as the Board may fix. In lieu of holding a special meeting of stockholders at a designated place, the Board of Directors may, in its sole discretion, determine that any special meeting of stockholders may be held solely by means of remote communication. Business transacted at any special meeting

of stockholders shall be confined to the purpose or purposes stated in the notice of meeting. Upon request in writing sent by registered mail to the President or Chief Executive Officer by any stockholder or stockholders entitled to request a special meeting of stockholders pursuant to this Section 2.3, and containing the information required pursuant to Sections 2.11 and 3.15, as applicable, the Board of Directors shall determine a place and time for such meeting, which time shall be not less than 100 nor more than 120 days after the receipt of such request, and a record date for the determination of stockholders entitled to vote at such meeting shall be fixed by the Board of Directors, in advance, which shall not be more than 60 days nor less than 10 days before the date of such meeting. Following such receipt of a request and determination by the Secretary of the validity thereof, it shall be the duty of the Secretary to present the request to the Board of Directors, and upon Board action as provided in this Section 2.3, to cause notice to be given to the stockholders entitled to vote at such meeting, in the manner set forth in Section 2.4 hereof, that a meeting will be held at the place, if any, and time so determined, for the purposes set forth in the stockholder's request, as well as any purpose or purposes determined by the Board of Directors in accordance with this Section 2.3.

2.4 Notice of Meetings.

(a) Written notice of each meeting of stockholders, whether annual or special, shall be given not less than 10 nor more than 60 days before the date on which the meeting is to be held, to each stockholder entitled to vote at such meeting, except as otherwise provided herein or as required by law (meaning here and hereafter, as required from time to time by the DGCL or the Certificate). The notice of any meeting shall state the place, if any, date and hour of the meeting, and the means of remote communication, if any, by which stockholders and proxy holders may be deemed to be present in person and vote at such meeting. The notice of a special meeting shall state, in addition, the purpose or purposes for which the meeting is called. If mailed, notice is given when deposited in the United States mail, postage prepaid, directed to the stockholder at his, her or its address as it appears on the records of the Corporation.

(b) Notice to stockholders may be given by personal delivery, mail, or, with the consent of the stockholder entitled to receive notice, by facsimile or other means of electronic transmission. If mailed, such notice shall be delivered by postage prepaid envelope directed to each stockholder at such stockholder's address as it appears in the records of the Corporation and shall be deemed given when deposited in the United States mail. Notice given by electronic transmission pursuant to this subsection shall be deemed given: (1) if by facsimile telecommunication, when directed to a facsimile telecommunication number at which the stockholder has consented to receive notice; (2) if by electronic mail, when directed to an electronic mail address at which the stockholder has consented to receive notice; (3) if by posting on an electronic network together with separate notice to the stockholder of such specific posting, upon the later of (A) such posting and (B) the giving of such separate notice; and (4) if by any other form of electronic transmission, when directed to the stockholder. An affidavit of the Secretary or an assistant Secretary or of the transfer agent or other agent of the Corporation that the notice has been given by personal delivery, by mail, or by a form of electronic transmission shall, in the absence of fraud, be prima facie evidence of the facts stated therein.

(c) Notice of any meeting of stockholders need not be given to any stockholder if waived by such stockholder either in a writing signed by such stockholder or by electronic

transmission, whether such waiver is given before or after such meeting is held. If such a waiver is given by electronic transmission, the electronic transmission must either set forth or be submitted with information from which it can be determined that the electronic transmission was authorized by the stockholder.

2.5 Voting List. The officer who has charge of the stock ledger of the Corporation shall prepare, at least 10 days before each meeting of stockholders, a complete list of the stockholders entitled to vote at the meeting, arranged in alphabetical order for each class of stock and showing the address of each stockholder and the number of shares registered in the name of each stockholder. Such list shall be open to the examination of any such stockholder, for any purpose germane to the meeting, during ordinary business hours, for a period of at least 10 days prior to the meeting, in the manner provided by law. The list shall also be produced and kept at the time and place of the meeting during the whole time of the meeting, and may be inspected by any stockholder who is present. This list shall determine the identity of the stockholders entitled to vote at the meeting and the number of shares held by each of them.

2.6 Quorum. Except as otherwise provided by law or these Bylaws, the holders of a majority of the shares of the capital stock of the Corporation entitled to vote at the meeting, present in person or represented by proxy, shall constitute a quorum for the transaction of business. Where a separate class vote by a class or classes or series is required, a majority of the shares of such class or classes or series present in person or represented by proxy shall constitute a quorum entitled to take action with respect to that vote on that matter.

2.7 Adjournments. Any meeting of stockholders may be adjourned to any other time and to any other place at which a meeting of stockholders may be held under these Bylaws by the chairman of the meeting or, in the absence of such person, by any officer entitled to preside at or to act as Secretary of such meeting, or by the holders of a majority of the shares of stock present or represented at the meeting and entitled to vote, although less than a quorum. When a meeting is adjourned to another place, date or time, written notice need not be given of the adjourned meeting if the date, time, and place and the means of remote communication, if any, by which stockholders and proxy holders may be deemed to be present in person and vote at such adjourned meeting, are announced at the meeting at which the adjournment is taken; provided, however, that if the date of any adjourned meeting is more than 30 days after the date for which the meeting was originally noticed, or if a new record date is fixed for the adjourned meeting, written notice of the place, if any, date, and time of the adjourned meeting and the means of remote communications, if any, by which stockholders and proxy holders may be deemed to be present in person and vote at such adjourned meeting, shall be given in conformity with Section 2.4 hereof. At the adjourned meeting, the Corporation may transact any business that might have been transacted at the original meeting.

2.8 Voting and Proxies. Each stockholder shall have one vote for each share of stock entitled to vote held of record by such stockholder and a proportionate vote for each fractional share so held, unless otherwise provided by law or in the Certificate. Each stockholder of record entitled to vote at a meeting of stockholders may vote in person or may authorize any other person or persons to vote or act for such stockholder by written proxy executed by the stockholder or its authorized agent or by a transmission permitted by law and delivered to the Secretary of the Corporation. Any copy, facsimile transmission or other reliable reproduction of the writing or transmission created pursuant to this Section may be substituted or used in lieu of the original

writing or transmission for any and all purposes for which the original writing or transmission could be used, provided that such copy, facsimile transmission or other reproduction shall be a complete reproduction of the entire original writing or transmission.

2.9 **Record Date.** The Board of Directors may fix in advance a record date for the determination of the stockholders entitled to notice of or to vote at any meeting of stockholders or to express consent to corporate action in writing without a meeting, or entitled to receive payment of any dividend or other distribution or allotment of any rights in respect of any change, concession or exchange of stock, or for the purpose of any other lawful action. Such record date shall not precede the date on which the resolution fixing the record date is adopted and shall not be more than 60 nor less than 10 days before the date of such meeting, nor more than 60 days prior to any other action to which such record date relates. If no record date is fixed by the Board of Directors, the record date for determining stockholders entitled to notice of or to vote at a meeting of stockholders shall be at the close of business on the day before the day on which notice is given, or, if notice is waived, at the close of business on the day before the day on which the meeting is held. If no record date is fixed by the Board of Directors, the record date for determining stockholders entitled to express consent to corporate action in writing without a meeting when no prior action by the Board of Directors is necessary shall be the day on which the first written consent is expressed. The record date for determining stockholders for any other purpose shall be at the close of business on the day on which the Board of Directors adopts the resolution relating to such purpose. A determination of stockholders of record entitled to notice of or to vote at a meeting of stockholders shall apply to any adjournment of the meeting; provided, however, that the Board of Directors may fix a new record date for the adjourned meeting.

2.10 **Action at Meeting.** When a quorum is present at any meeting, any election of directors shall be determined by a plurality of the votes cast by the stockholders entitled to vote at the election, and any other matter shall be determined by a majority in voting power of the shares present in person or represented by proxy and entitled to vote on the matter (or if there are two or more classes of stock entitled to vote as separate classes, then in the case of each such class, a majority of the shares of each such class present in person or represented by proxy and entitled to vote on the matter) shall decide such matter, except when a different vote is required by express provision of law, the Certificate or these Bylaws. All voting, except on the election of directors and where otherwise prohibited by law, may be by a voice vote; provided, however, that upon demand therefor by a stockholder entitled to vote or his, her or its proxy, a vote by ballot shall be taken. Each ballot shall state the name of the stockholder or proxy voting and such other information as may be required under the procedure established for the meeting. The Corporation may, and to the extent required by law, shall, in advance of any meeting of stockholders, appoint one or more inspectors to act at the meeting and make a written report thereof. The Corporation may designate one or more persons as an alternate inspector to replace any inspector who fails to act. If no inspector or alternate is able to act at a meeting of stockholders, the person presiding at the meeting may, and to the extent required by law, shall, appoint one or more inspectors to act at the meeting. Each inspector, before entering upon the discharge of his or her duties, shall take and sign an oath to faithfully execute the duties of inspector with strict impartiality and according to the best of his or her ability.

2.11 Notice of Stockholder Business.

(a) At an annual or special meeting of the stockholders, only such business shall be conducted as shall have been properly brought before the meeting. To be properly brought before an annual meeting, business must be (i) specified in the notice of meeting (or any supplement thereto) given by or at the direction of the Board of Directors, (ii) properly brought before the meeting by or at the direction of the Board of Directors, or (iii) properly brought before the meeting by a stockholder of record. For business to be properly brought before an annual meeting by a stockholder, it must be a proper matter for stockholder action under the DGCL and the stockholder must have given timely notice thereof in writing to the Secretary of the Corporation. To be timely, a stockholder proposal to be presented at an annual meeting shall be received at the Corporation's principal executive offices not less than 120 days prior to the first anniversary of the date that the Corporation's (or its predecessor's) proxy statement was released to stockholders in connection with the previous year's annual meeting of stockholders, except that if no annual meeting was held in the previous year or the date of the annual meeting is more than 30 days earlier than the date contemplated at the time of the previous year's proxy statement, notice by the stockholders to be timely must be received not later than the close of business on the 10th day following the day on which the date of the annual meeting is publicly announced. "Public announcement" for purposes hereof shall have the meaning set forth in Article III, Section 3.15(c) of these Bylaws. In no event shall the public announcement of an adjournment or postponement of an annual meeting commence a new time period (or extend any time period) for the giving of a stockholder's notice as described above. For business to be properly brought before a special meeting by a stockholder, the business must be limited to the purpose or purposes set forth in a request under Section 2.3.

(b) A stockholder's notice to the Secretary of the Corporation shall set forth as to each matter the stockholder proposes to bring before the meeting (i) a brief description of the business desired to be brought before the meeting, (ii) the name and address, as they appear on the Company's books, of the stockholder proposing such business and the name and address of the beneficial owner, if any, on whose behalf the business is being brought, (iii) the class and number of shares of the Corporation which are owned beneficially and of record by the stockholder and such other beneficial owner, and (iv) any material interest of the stockholder and such other beneficial owner in such business.

(c) Notwithstanding the foregoing provisions of this Section 2.11, a stockholder shall also comply with all applicable requirements of the Securities Exchange Act of 1934 (the "Exchange Act") and the rules and regulations thereunder with respect to the matters set forth in this Section 2.11. Nothing in this Section 2.11 shall be deemed to affect any rights of stockholders to request inclusion of proposals in the Corporation's proxy statement pursuant to Rule 14a-8 under the Exchange Act.

2.12 Conduct of Business. At every meeting of the stockholders, the Chairman of the Board, or, in his or her absence, the President, or, in his or her absence, such other person as may be appointed by the Board of Directors, shall act as chairman. The Secretary of the Corporation or a person designated by the chairman of the meeting shall act as Secretary of the meeting. Unless otherwise approved by the chairman of the meeting, attendance at the stockholders' meeting is restricted to stockholders of record, persons authorized in accordance with Section 2.8 of these Bylaws to act by proxy, and officers of the Corporation. The chairman of the meeting shall call the

meeting to order, establish the agenda, and conduct the business of the meeting in accordance therewith or, at the chairman's discretion, it may be conducted otherwise in accordance with the wishes of the stockholders in attendance. The date and time of the opening and closing of the polls for each matter upon which the stockholders will vote at the meeting shall be announced at the meeting. The chairman shall also conduct the meeting in an orderly manner, rule on the precedence of, and procedure on, motions and other procedural matters, and exercise discretion with respect to such procedural matters with fairness and good faith toward all those entitled to take part. Without limiting the foregoing, the chairman may (a) restrict attendance at any time to bona fide stockholders of record and their proxies and other persons in attendance at the invitation of the presiding officer or Board of Directors, (b) restrict use of audio or video recording devices at the meeting, and (c) impose reasonable limits on the amount of time taken up at the meeting on discussion in general or on remarks by any one stockholder. Should any person in attendance become unruly or obstruct the meeting proceedings, the chairman shall have the power to have such person removed from the meeting. Notwithstanding anything in the Bylaws to the contrary, no business shall be conducted at a meeting except in accordance with the procedures set forth in this Section 2.12 and Section 2.11 above. The chairman of a meeting may determine and declare to the meeting that any proposed item of business was not brought before the meeting in accordance with the provisions of this Section 2.12 and Section 2.11, and if he or she should so determine, he or she shall so declare to the meeting and any such business not properly brought before the meeting shall not be transacted.

2.13 **Stockholder Action Without Meeting.** Effective upon the closing of the Corporation's initial public offering of its common stock, any action required or permitted to be taken by the stockholders of the Corporation must be effected at a duly called annual or special meeting of stockholders of the Corporation and may not be effected by any consent in writing by such stockholders. At all times prior to the closing of the Corporation's initial public offering of its common stock, any action which may be taken at any annual or special meeting of stockholders may be taken without a meeting and without prior notice, if a consent in writing, setting forth the actions so taken, is signed by the holders of outstanding shares having not less than the minimum number of votes that would be necessary to authorize or take such action at a meeting at which all shares entitled to vote thereon were present and voted. All such consents shall be filed with the Secretary of the Corporation and shall be maintained in the corporate records. Prompt notice of the taking of a corporate action without a meeting by less than unanimous written consent shall be given to those stockholders who have not consented in writing. An electronic transmission consenting to an action to be taken and transmitted by a stockholder, or by a proxy holder or other person authorized to act for a stockholder, shall be deemed to be written, signed and dated for the purpose of this Section 2.13, provided that such electronic transmission sets forth or is delivered with information from which the Corporation can determine (i) that the electronic transmission was transmitted by the stockholder or by a person authorized to act for the stockholder and (ii) the date on which such stockholder or authorized person transmitted such electronic transmission. The date on which such electronic transmission is transmitted shall be deemed to be the date on which such consent was signed. No consent given by electronic transmission shall be deemed to have been delivered until such consent is reproduced in paper form and until such paper form shall be delivered to the Corporation by delivery to its registered office in the State of Delaware, its principal place of business or an officer or agent of the Corporation having custody of the books in which proceedings of meetings of stockholders are recorded.

2.14 Meetings by Remote Communication. If authorized by the Board of Directors, and subject to such guidelines and procedures as the Board may adopt, stockholders and proxy holders not physically present at a meeting of stockholders may, by means of remote communication, participate in the meeting and be deemed present in person and vote at the meeting, whether such meeting is to be held at a designated place or solely by means of remote communication, provided that (i) the Corporation shall implement reasonable measures to verify that each person deemed present and permitted to vote at the meeting by means of remote communication is a stockholder or proxy holder, (ii) the Corporation shall implement reasonable measures to provide such stockholders and proxy holders a reasonable opportunity to participate in the meeting and to vote on matters submitted to the stockholders, including an opportunity to read or hear the proceedings of the meeting substantially concurrently with such proceedings, and (iii) if any stockholder or proxy holder votes or takes other action at the meeting by means of remote communication, a record of such vote or other action shall be maintained by the Corporation.

ARTICLE III BOARD OF DIRECTORS

3.1 General Powers. The business and affairs of the Corporation shall be managed by or under the direction of a Board of Directors, who may exercise all of the powers of the Corporation except as otherwise provided by law or the Certificate. In the event of a vacancy in the Board of Directors, the remaining directors, except as otherwise provided by law, may exercise the powers of the full Board until the vacancy is filled.

3.2 Number and Term of Office. Subject to the rights of the holders of any series of preferred stock to elect directors under specified circumstances, the number of directors shall initially be four (4) and, thereafter, shall be fixed from time to time exclusively by the Board of Directors pursuant to a resolution adopted by a majority of the total number of authorized directors (whether or not there exist any vacancies in previously authorized directorships at the time any such resolution is presented to the Board for adoption). Effective upon the date of the closing of the Corporation's initial public offering of its common stock (the "Effective Date"), the directors, other than those who may be elected by the holders of any series of preferred stock under specified circumstances, shall be divided into three classes, with the term of office of the first class to expire at the first annual meeting of stockholders held after the Effective Date; the term of office of the second class to expire at the second annual meeting of stockholders held after the Effective Date; the term of office of the third class to expire at the third annual meeting of stockholders held after the Effective Date; and thereafter for each such term to expire at each third succeeding annual meeting of stockholders after such election. All directors shall hold office until the expiration of the term for which elected and until their respective successors are elected, except in the case of the death, resignation or removal of any director. At each annual meeting of stockholders commencing with the first annual meeting held after the Effective Date, (i) directors elected to succeed those directors whose terms expire shall be elected for a term of office to expire at the third succeeding annual meeting of stockholders after their election, with each director to hold office until his or her successor shall have been duly elected and qualified, and (ii) if authorized by a resolution of the Board of Directors, directors may be elected to fill any vacancy on the Board of Directors, regardless of how such vacancy shall have been created.

3.3 Vacancies and Newly Created Directorships. Subject to the rights of the holders of any series of preferred stock then outstanding, newly created directorships resulting from any increase in the authorized number of directors or any vacancies in the Board of Directors resulting from death, resignation, retirement, disqualification or other cause (including removal from office by a vote of the stockholders) may be filled only by a majority vote of the directors then in office, though less than a quorum (and not by stockholders), or by the sole remaining director, and directors so chosen shall hold office for a term expiring at the next annual meeting of stockholders at which the term of office of the class to which they have been elected expires or until such director's successor shall have been duly elected and qualified. No decrease in the number of authorized directors shall shorten the term of any incumbent director.

3.4 Resignation. Any director may resign by delivering notice in writing or by electronic transmission to the President, Chairman of the Board or Secretary. Such resignation shall be effective upon receipt unless it is specified to be effective at some other time or upon the happening of some other event.

3.5 Removal. Subject to the rights of the holders of any series of preferred stock then outstanding, any directors, or the entire Board of Directors, may be removed from office at any time, but only for cause, by the affirmative vote of the holders of a majority of the voting power of all of the outstanding shares of capital stock entitled to vote generally in the election of directors, voting together as a single class. Vacancies in the Board of Directors resulting from such removal may be filled by a majority of the directors then in office, though less than a quorum, or by the sole remaining director. Directors so chosen shall hold office until the next annual meeting of stockholders at which the term of office of the class to which they have been elected expires.

3.6 Regular Meetings. Regular meetings of the Board of Directors may be held without notice at such time and place, either within or without the State of Delaware, as shall be determined from time to time by the Board of Directors; provided that any director who is absent when such a determination is made shall be given notice of the determination. A regular meeting of the Board of Directors may be held without notice immediately after and at the same place as the annual meeting of stockholders.

3.7 Special Meetings. Special meetings of the Board of Directors may be called by the Chairman of the Board, the President or two or more directors and may be held at any time and place, within or without the State of Delaware.

3.8 Notice of Special Meetings. Notice of any special meeting of directors shall be given to each director by whom it is not waived by the Secretary or by the officer or one of the directors calling the meeting. Notice shall be duly given to each director by (i) giving notice to such director in person or by telephone, electronic transmission or voice message system at least 24 hours in advance of the meeting, (ii) sending a facsimile to his or her last known facsimile number, or delivering written notice by hand to his or her last known business or home address, at least 24 hours in advance of the meeting, or (iii) mailing written notice to his or her last known business or home address at least three days in advance of the meeting. A notice or waiver of notice of a meeting of the Board of Directors need not specify the purposes of the meeting. Unless otherwise indicated in the notice thereof, any and all business may be transacted at a special meeting.

3.9 Participation in Meetings by Telephone Conference Calls or Other Methods of Communication. Directors or any members of any committee designated by the directors may participate in a meeting of the Board of Directors or such committee by means of conference telephone or other communications equipment by means of which all persons participating in the meeting can hear each other, and participation by such means shall constitute presence in person at such meeting.

3.10 Quorum. A majority of the total number of authorized directors shall constitute a quorum at any meeting of the Board of Directors. In the absence of a quorum at any such meeting, a majority of the directors present may adjourn the meeting from time to time without further notice other than announcement at the meeting, until a quorum shall be present. Interested directors may be counted in determining the presence of a quorum at a meeting of the Board of Directors or at a meeting of a committee which authorizes a particular contract or transaction.

3.11 Action at Meeting. At any meeting of the Board of Directors at which a quorum is present, the vote of a majority of those present shall be sufficient to take any action, unless a different vote is specified by law, the Certificate or these Bylaws.

3.12 Action by Written Consent. Any action required or permitted to be taken at any meeting of the Board of Directors or of any committee of the Board of Directors may be taken without a meeting if all members of the Board or committee, as the case may be, consent to the action in writing or by electronic transmission, and the writings or electronic transmissions are filed with the minutes of proceedings of the Board or committee. Such filing shall be in paper form if the minutes are maintained in paper form and shall be in electronic form if the minutes are maintained in electronic form.

3.13 Committees. The Board of Directors shall designate an Audit Committee, a Compensation Committee and a Nominating and Corporate Governance Committee, and whatever other committees the Board of Directors deems advisable, each of which shall have and may exercise the powers and authority of the Board of Directors to the extent provided in the charters of each committee adopted by the Board of Directors in one or more resolutions.. The Board of Directors may designate one or more directors as alternate members of any committee, who may replace any absent or disqualified member at any meeting of the committee. In the absence or disqualification of a member of a committee, the member or members of the committee present at any meeting and not disqualified from voting, whether or not he, she or they constitute a quorum, may unanimously appoint another member of the Board of Directors to act at the meeting in the place of any such absent or disqualified member. Each such committee shall keep minutes and make such reports as the Board of Directors may from time to time request. Except as the Board of Directors may otherwise determine, any committee may make rules for the conduct of its business, but unless otherwise provided by such rules, its business shall be conducted as nearly as possible in the same manner as is provided in these Bylaws for the Board of Directors.

3.14 Compensation of Directors. Directors may be paid such compensation for their services and such reimbursement for expenses of attendance at meetings as the Board of Directors may from time to time determine. No such payment shall preclude any director from serving the Corporation or any of its parent or subsidiary corporations in any other capacity and receiving compensation for such service.

3.15 Nomination of Director Candidates.

(a) Subject to the rights of holders of any class or series of preferred stock then outstanding, nominations for the election of directors at an annual meeting may be made by (i) the Board of Directors or a duly authorized committee thereof or (ii) any stockholder entitled to vote in the election of directors generally who complies with the procedures set forth in this Section 3.15 and who is a stockholder of record at the time notice is delivered to the Secretary of the Corporation. Any stockholder entitled to vote in the election of directors generally may nominate one or more persons for election as directors at an annual meeting only if timely notice of such stockholder's intent to make such nomination or nominations has been given in writing to the Secretary of the Corporation. To be timely, a stockholder nomination for a director to be elected at an annual meeting shall be received at the Corporation's principal executive offices not less than 120 calendar days in advance of the first anniversary of the date that the Corporation's (or the Corporation's predecessor's) proxy statement was released to stockholders in connection with the previous year's annual meeting of stockholders, except that if no annual meeting was held in the previous year or the date of the annual meeting has been advanced by more than 30 calendar days from the date contemplated at the time of the previous year's proxy statement, notice by the stockholders to be timely must be received not later than the close of business on the tenth day following the day on which public announcement of the date of such meeting is first made. Each such notice shall set forth: (i) the name and address of the stockholder who intends to make the nomination, or the beneficial owner, if any, on whose behalf the nomination is being made and of the person or persons to be nominated; (ii) a representation that the stockholder is a holder of record of stock of the Corporation entitled to vote for the election of directors on the date of such notice and intends to appear in person or by proxy at the meeting to nominate the person or persons specified in the notice; (iii) a description of all arrangements or understandings between the stockholder or such beneficial owner and each nominee and any other person or persons (naming such person or persons) pursuant to which the nomination or nominations are to be made by the stockholder; (iv) such other information regarding each nominee proposed by such stockholder as would be required to be included in a proxy statement filed pursuant to the proxy rules of the Securities and Exchange Commission, had the nominee been nominated, or intended to be nominated, by the Board of Directors; (v) the consent of each nominee to serve as a director of the Corporation if so elected; and (vi) the class and number of shares of the Corporation that are owned beneficially and of record by such stockholder and such beneficial owner. In no event shall the public announcement of an adjournment or postponement of an annual meeting commence a new time period (or extend any time period) for the giving of a stockholder's notice as described above. Notwithstanding the third sentence of this Section 3.15(a), in the event that the number of directors to be elected at an annual meeting is increased and there is no public announcement by the Corporation naming the nominees for the additional directorships at least 130 days prior to the first anniversary of the date that the Corporation's (or its predecessor's) proxy statement was released to stockholders in connection with the previous year's annual meeting, a stockholder's notice required by this Section 3.15(a) shall also be considered timely, but only with respect to nominees for the additional directorships, if it shall be delivered to the Secretary at the principal executive offices of the Corporation not later than the close of business on the 10th day following the day on which such public announcement is first made by the Corporation.

(b) Nominations of persons for election to the Board of Directors may be made at a special meeting of stockholders at which directors are to be elected pursuant to the Corporation's notice of meeting by or at the direction of the Board of Directors or a committee thereof or any stockholder of the Corporation who is entitled to vote at the meeting, who complies with the notice procedures set forth in this Section 3.15 and who is a stockholder of record at the time such notice is delivered to the Secretary of the Corporation. In the event the Corporation calls a special meeting of stockholders for the purpose of electing one or more directors to the Board of Directors, any such stockholder may nominate a person or persons (as the case may be) for election to such position(s) as are specified in the Corporation's notice of meeting, if the stockholder's notice as required by paragraph (a) of this Bylaw shall be delivered to the Secretary at the principal executive offices of the Corporation not earlier than the 90th day prior to such special meeting and not later than the close of business on the later of the 70th day prior to such special meeting or the 10th day following the day on which public announcement is first made of the date of the special meeting and of the nominees proposed by the Board of Directors to be elected at such meeting. In no event shall the public announcement of an adjournment or postponement of a special meeting commence a new time period (or extend any time period) for the giving of a stockholder's notice as described above.

(c) For purposes of these Bylaws, "public announcement" shall mean disclosure in a press release reported by the Dow Jones News Service, Associated Press or comparable national news service or in a document publicly filed by the Corporation with the Securities and Exchange Commission pursuant to Section 13, 14 or 15(d) of the Exchange Act.

(d) Notwithstanding the foregoing provisions of this Section 3.15, a stockholder shall also comply with all applicable requirements of the Exchange Act and the rules and regulations thereunder with respect to the matters set forth in this Section 3.15. Nothing in this Section 3.15 shall be deemed to affect any rights of stockholders to request inclusion of proposals in the Corporation's proxy statement pursuant to Rule 14a-8 under the Exchange Act.

(e) Only persons nominated in accordance with the procedures set forth in this Section 3.15 shall be eligible to serve as directors. Except as otherwise provided by law, the chairman of the meeting shall have the power and duty (a) to determine whether a nomination was made in accordance with the procedures set forth in this Section 3.15 and (b) if any proposed nomination was not made in compliance with this Section 3.15, to declare that such nomination shall be disregarded.

(f) If the chairman of the meeting for the election of directors determines that a nomination of any candidate for election as a director at such meeting was not made in accordance with the applicable provisions of this Section 3.15, such nomination shall be void; provided, however, that nothing in this Section 3.15 shall be deemed to limit any voting rights upon the occurrence of dividend arrearages provided to holders of preferred stock pursuant to the preferred stock designation for any series of preferred stock.

ARTICLE IV OFFICERS

4.1 Enumeration. The officers of the Corporation shall consist of a Chief Executive Officer, a President, a Secretary, a Treasurer, a Chief Financial Officer and such other officers with such other titles as the Board of Directors shall determine, including, at the discretion of the Board of Directors, a Chairman of the Board and one or more Vice Presidents and Assistant Secretaries. The Board of Directors may appoint such other officers as it may deem appropriate.

4.2 Election. Officers shall be elected annually by the Board of Directors at its first meeting following the annual meeting of stockholders. Officers may be appointed by the Board of Directors at any other meeting.

4.3 Qualification. No officer need be a stockholder. Any two or more offices may be held by the same person.

4.4 Tenure. Except as otherwise provided by law, by the Certificate or by these Bylaws, each officer shall hold office until his or her successor is elected and qualified, unless a different term is specified in the vote appointing him or her, or until his or her earlier death, resignation or removal.

4.5 Resignation and Removal. Any officer may resign by delivering his or her written resignation to the Corporation at its principal office or to the President or Secretary. Such resignation shall be effective upon receipt unless it is specified to be effective at some other time or upon the happening of some other event. Any officer elected by the Board of Directors may be removed at any time, with or without cause, by the Board of Directors.

4.6 Chairman of the Board. The Board of Directors may appoint a Chairman of the Board. If the Board of Directors appoints a Chairman of the Board, he or she shall perform such duties and possess such powers as are assigned to him or her by the Board of Directors. Unless otherwise provided by the Board of Directors, he or she shall preside at all meetings of the Board of Directors.

4.7 Chief Executive Officer. The Chief Executive Officer of the Corporation shall, subject to the direction of the Board of Directors, have general supervision, direction and control of the business and the officers of the Corporation. He shall preside at all meetings of the stockholders and, in the absence or nonexistence of a Chairman of the Board, at all meetings of the Board of Directors. He shall have the general powers and duties of management usually vested in the chief executive officer of a Corporation, including general supervision, direction and control of the business and supervision of other officers of the Corporation, and shall have such other powers and duties as may be prescribed by the Board of Directors or these Bylaws.

4.8 President. Subject to the direction of the Board of Directors and such supervisory powers as may be given by these Bylaws or the Board of Directors to the Chairman of the Board or the Chief Executive Officer, if such titles be held by other officers, the President shall have general supervision, direction and control of the business and supervision of other officers of the Corporation. Unless otherwise designated by the Board of Directors, the President shall be the Chief

Executive Officer of the Corporation. The President shall have such other powers and duties as may be prescribed by the Board of Directors or these Bylaws. He or she shall have power to sign stock certificates, contracts and other instruments of the Corporation which are authorized and shall have general supervision and direction of all of the other officers, employees and agents of the Corporation, other than the Chairman of the Board and the Chief Executive Officer.

4.9 Vice Presidents. Any Vice President shall perform such duties and possess such powers as the Board of Directors or the President may from time to time prescribe. In the event of the absence, inability or refusal to act of the President, the Vice President (or if there shall be more than one, the Vice Presidents in the order determined by the Board of Directors) shall perform the duties of the President and when so performing shall have the powers of and be subject to all the restrictions upon the President. The Board of Directors may assign to any Vice President the title of Executive Vice President, Senior Vice President or any other title selected by the Board of Directors.

4.10 Secretary and Assistant Secretaries. The Secretary shall perform such duties and shall have such powers as the Board of Directors or the President may from time to time prescribe. In addition, the Secretary shall perform such duties and have such powers as are incident to the office of the Secretary, including, without limitation, the duty and power to give notices of all meetings of stockholders and special meetings of the Board of Directors, to keep a record of the proceedings of all meetings of stockholders and the Board of Directors, to maintain a stock ledger and prepare lists of stockholders and their addresses as required, to be custodian of corporate records and the corporate seal and to affix and attest to the same on documents. Any Assistant Secretary shall perform such duties and possess such powers as the Board of Directors, the Chief Executive Officer, the President or the Secretary may from time to time prescribe. In the event of the absence, inability or refusal to act of the Secretary, the Assistant Secretary (or if there shall be more than one, the Assistant Secretaries in the order determined by the Board of Directors) shall perform the duties and exercise the powers of the Secretary. In the absence of the Secretary or any Assistant Secretary at any meeting of stockholders or directors, the person presiding at the meeting shall designate a temporary Secretary to keep a record of the meeting.

4.11 Treasurer. The Treasurer shall perform such duties and have such powers as are incident to the office of treasurer, including without limitation, the duty and power to keep and be responsible for all funds and securities of the Corporation, to maintain the financial records of the Corporation, to deposit funds of the Corporation in depositories as authorized, to disburse such funds as authorized, to make proper accounts of such funds, and to render as required by the Board of Directors accounts of all such transactions and of the financial condition of the Corporation.

4.12 Chief Financial Officer. The Chief Financial Officer shall perform such duties and shall have such powers as may from time to time be assigned to him or her by the Board of Directors, the Chief Executive Officer or the President. Unless otherwise designated by the Board of Directors, the Chief Financial Officer shall be the Treasurer of the Corporation.

4.13 Salaries. Officers of the Corporation shall be entitled to such salaries, compensation or reimbursement as shall be fixed or allowed from time to time by the Board of Directors.

4.14 Delegation of Authority. The Board of Directors may from time to time delegate the powers or duties of any officer to any other officers or agents, notwithstanding any provision hereof.

ARTICLE V
CAPITAL STOCK

5.1 Issuance of Stock. Subject to the provisions of the Certificate, the whole or any part of any unissued balance of the authorized capital stock of the Corporation or the whole or any part of any unissued balance of the authorized capital stock of the Corporation held in its treasury may be issued, sold, transferred or otherwise disposed of by vote of the Board of Directors in such manner, for such consideration and on such terms as the Board of Directors may determine.

5.2 Certificates of Stock. The shares of the Corporation shall be represented by certificates, provided that the Board of Directors may provide by resolution or resolutions that some or all of any class or series of its stock shall be uncertificated shares; provided, however, that no such resolution shall apply to shares represented by a certificate until such certificate is surrendered to the Corporation. Each certificate for shares of stock which are subject to any restriction on transfer pursuant to the Certificate, the Bylaws, applicable securities laws or any agreement among any number of shareholders or among such holders and the Corporation shall have conspicuously noted on the face or back of the certificate either the full text of the restriction or a statement of the existence of such restriction.

5.3 Transfers. Except as otherwise established by rules and regulations adopted by the Board of Directors, and subject to applicable law, shares of stock may be transferred on the books of the Corporation: (i) in the case of shares represented by a certificate, by the surrender to the Corporation or its transfer agent of the certificate representing such shares properly endorsed or accompanied by a written assignment or power of attorney properly executed, and with such proof of authority or authenticity of signature as the Corporation or its transfer agent may reasonably require; and (ii) in the case of uncertificated shares, upon the receipt of proper transfer instructions from the registered owner thereof. Except as may be otherwise required by law, the Certificate or the Bylaws, the Corporation shall be entitled to treat the record holder of stock as shown on its books as the owner of such stock for all purposes, including the payment of dividends and the right to vote with respect to such stock, regardless of any transfer, pledge or other disposition of such stock until the shares have been transferred on the books of the Corporation in accordance with the requirements of these Bylaws.

5.4 Lost, Stolen or Destroyed Certificates. The Corporation may issue a new certificate of stock in place of any previously issued certificate alleged to have been lost, stolen, or destroyed, or it may issue uncertificated shares if the shares represented by such certificate have been designated as uncertificated shares in accordance with Section 5.2, upon such terms and conditions as the Board of Directors may prescribe, including the presentation of reasonable evidence of such loss, theft or destruction and the giving of such indemnity as the Board of Directors may require for the protection of the Corporation or any transfer agent or registrar.

**ARTICLE VI
GENERAL PROVISIONS**

6.1 Fiscal Year. The fiscal year of the Corporation shall be as fixed by the Board of Directors.

6.2 Corporate Seal. The corporate seal shall be in such form as shall be approved by the Board of Directors.

6.3 Waiver of Notice. Whenever any notice whatsoever is required to be given by law, by the Certificate or by these Bylaws, a waiver of such notice either in writing signed by the person entitled to such notice or such person's duly authorized attorney, or by electronic transmission or any other method permitted under the DGCL, whether before, at or after the time stated in such waiver, or the appearance of such person or persons at such meeting in person or by proxy, shall be deemed equivalent to such notice. Neither the business nor the purpose of any meeting need be specified in such a waiver. Attendance at any meeting shall constitute waiver of notice except attendance for the sole purpose of objecting to the timeliness of notice.

6.4 Actions with Respect to Securities of Other Corporations. Except as the Board of Directors may otherwise designate, the Chief Executive Officer or President or any officer of the Corporation authorized by the Chief Executive Officer or President shall have the power to vote and otherwise act on behalf of the Corporation, in person or proxy, and may waive notice of, and act as, or appoint any person or persons to act as, proxy or attorney-in-fact to this Corporation (with or without power of substitution) at any meeting of stockholders or shareholders (or with respect to any action of stockholders) of any other Corporation or organization, the securities of which may be held by this Corporation and otherwise to exercise any and all rights and powers which this Corporation may possess by reason of this Corporation's ownership of securities in such other Corporation or other organization.

6.5 Evidence of Authority. A certificate by the Secretary, or an Assistant Secretary, or a temporary Secretary, as to any action taken by the stockholders, directors, a committee or any officer or representative of the Corporation shall as to all persons who rely on the certificate in good faith be conclusive evidence of such action.

6.6 Certificate of Incorporation. All references in these Bylaws to the Certificate shall be deemed to refer to the Amended and Restated Certificate of Incorporation of the Corporation, as amended and in effect from time to time.

6.7 Severability. Any determination that any provision of these Bylaws is for any reason inapplicable, illegal or ineffective shall not affect or invalidate any other provision of these Bylaws.

6.8 Pronouns. All pronouns used in these Bylaws shall be deemed to refer to the masculine, feminine or neuter, singular or plural, as the identity of the person or persons may require.

6.9 Notices. Except as otherwise specifically provided herein or required by law, all notices required to be given to any stockholder, director, officer, employee or agent shall be in

writing and may in every instance be effectively given by hand delivery to the recipient thereof, by depositing such notice in the mails, postage paid, or by sending such notice by commercial courier service, or by facsimile or other electronic transmission, provided that notice to stockholders by electronic transmission shall be given in the manner provided in Section 232 of the DGCL. Any such notice shall be addressed to such stockholder, director, officer, employee or agent at his or her last known address as the same appears on the books of the Corporation. The time when such notice shall be deemed to be given shall be the time such notice is received by such stockholder, director, officer, employee or agent, or by any person accepting such notice on behalf of such person, if delivered by hand, facsimile, other electronic transmission or commercial courier service, or the time such notice is dispatched, if delivered through the mails. Without limiting the manner by which notice otherwise may be given effectively, notice to any stockholder shall be deemed given: (1) if by facsimile, when directed to a number at which the stockholder has consented to receive notice; (2) if by electronic mail, when directed to an electronic mail address at which the stockholder has consented to receive notice; (3) if by a posting on an electronic network together with separate notice to the stockholder of such specific posting, upon the later of (A) such posting and (B) the giving of such separate notice; (4) if by any other form of electronic transmission, when directed to the stockholder; and (5) if by mail, when deposited in the mail, postage prepaid, directed to the stockholder at such stockholder's address as it appears on the records of the Corporation.

6.10 Reliance Upon Books, Reports and Records. Each director, each member of any committee designated by the Board of Directors, and each officer of the Corporation shall, in the performance of his or her duties, be fully protected in relying in good faith upon the books of account or other records of the Corporation as provided by law, including reports made to the Corporation by any of its officers, by an independent certified public accountant, or by an appraiser selected with reasonable care.

6.11 Time Periods. In applying any provision of these Bylaws which require that an act be done or not done a specified number of days prior to an event or that an act be done during a period of a specified number of days prior to an event, calendar days shall be used, the day of the doing of the act shall be excluded, and the day of the event shall be included.

6.12 Facsimile Signatures. In addition to the provisions for use of facsimile signatures elsewhere specifically authorized in these Bylaws, facsimile signatures of any officer or officers of the Corporation may be used whenever and as authorized by the Board of Directors or a committee thereof.

ARTICLE VII AMENDMENTS

7.1 By the Board of Directors. Except as otherwise set forth in these Bylaws, these Bylaws may be altered, amended or repealed or new Bylaws may be adopted by the affirmative vote of a majority of the directors present at any regular or special meeting of the Board of Directors at which a quorum is present.

7.2 By the Stockholders. Except as otherwise set forth in these Bylaws, these Bylaws may be altered, amended or repealed or new Bylaws may be adopted by the affirmative vote of the holders of at least 66-2/3% of the voting power of all of the shares of capital stock of the

Corporation issued and outstanding and entitled to vote generally in any election of directors, voting together as a single class. Such vote may be held at any annual meeting of stockholders, or at any special meeting of stockholders provided that notice of such alteration, amendment, repeal or adoption of new Bylaws shall have been stated in the notice of such special meeting.

ARTICLE VIII

INDEMNIFICATION OF DIRECTORS AND OFFICERS

8.1 Right to Indemnification. Each person who was or is made a party or is threatened to be made a party to or is involved in any action, suit or proceeding, whether civil, criminal, administrative or investigative (“proceeding”), by reason of the fact that he or she or a person of whom he or she is the legal representative, is or was a director or officer of the Corporation or is or was serving at the request of the Corporation as a director or officer of another Corporation, or as a controlling person of a partnership, joint venture, trust or other enterprise, including service with respect to employee benefit plans, whether the basis of such proceeding is alleged action in an official capacity as a director or officer, or in any other capacity while serving as a director or officer, shall be indemnified and held harmless by the Corporation to the fullest extent authorized by the DGCL, as the same exists or may hereafter be amended (but, in the case of any such amendment, only to the extent that such amendment permits the Corporation to provide broader indemnification rights than said law permitted the Corporation to provide prior to such amendment) against all expenses, liability and loss reasonably incurred or suffered by such person in connection therewith and such indemnification shall continue as to a person who has ceased to be a director or officer and shall inure to the benefit of his or her heirs, executors and administrators; provided, however, that except as provided in Section 8.2 of this Article VIII, the Corporation shall indemnify any such person seeking indemnity in connection with a proceeding (or part thereof) initiated by such person only if (a) such indemnification is expressly required to be made by law, (b) the proceeding (or part thereof) was authorized by the Board of Directors of the Corporation, (c) such indemnification is provided by the Corporation, in its sole discretion, pursuant to the powers vested in the Corporation under the DGCL, or (d) the proceeding (or part thereof) is brought to establish or enforce a right to indemnification or advancement under an indemnity agreement or any other statute or law or otherwise as required under Section 145 of the DGCL. The rights hereunder shall be contract rights and shall include the right to be paid expenses incurred in defending any such proceeding in advance of its final disposition; provided, however, that the payment of such expenses incurred by a director or officer of the Corporation in his or her capacity as a director or officer (and not in any other capacity in which service was or is tendered by such person while a director or officer, including, without limitation, service to an employee benefit plan) in advance of the final disposition of such proceeding, shall be made only upon delivery to the Corporation of an undertaking, by or on behalf of such director or officer, to repay all amounts so advanced if it should be determined ultimately by final judicial decision from which there is no further right to appeal that such director or officer is not entitled to be indemnified under this Section or otherwise.

8.2 Right of Claimant to Bring Suit. If a claim under Section 8.1 is not paid in full by the Corporation within 60 days after a written claim has been received by the Corporation, or 20 days in the case of a claim for advancement of expenses, the claimant may at any time thereafter bring suit against the Corporation to recover the unpaid amount of the claim and, if such suit is not frivolous or brought in bad faith, the claimant shall be entitled to be paid also the expense of prosecuting such

claim. It shall be a defense to any such action (other than an action brought to enforce a claim for expenses incurred in defending any proceeding in advance of its final disposition where the required undertaking, if any, has been tendered to this Corporation) that the claimant has not met the standards of conduct which make it permissible under the DGCL for the Corporation to indemnify the claimant for the amount claimed. Neither the failure of the Corporation (including its Board of Directors, independent legal counsel, or its stockholders) to have made a determination prior to the commencement of such action that indemnification of the claimant is proper in the circumstances because he or she has met the applicable standard of conduct set forth in the DGCL, nor an actual determination by the Corporation (including its Board of Directors, independent legal counsel or its stockholders) that the claimant has not met such applicable standard of conduct, shall be a defense to the action or create a presumption that claimant has not met the applicable standard of conduct. In any suit brought by the Corporation to recover an advancement of expenses pursuant to the terms of an undertaking, the Corporation shall be entitled to recover such expenses upon a final judicial decision from which there is no further right to appeal that the indemnitee has not met any applicable standard for indemnification set forth in the DGCL. In any suit brought by the indemnitee to enforce a right to indemnification or to an advancement of expenses hereunder, or brought by the Corporation to recover an advancement of expenses pursuant to the terms of an undertaking, the burden of proving that the indemnitee is not entitled to be indemnified, or to such advancement of expenses, shall be on the Corporation.

8.3 Indemnification of Employees and Agents. The Corporation may, to the extent authorized from time to time by the Board of Directors, grant rights to indemnification, and to the advancement of related expenses, to any employee or agent of the Corporation to the fullest extent of the provisions of this Article with respect to the indemnification of and advancement of expenses to directors and officers of the Corporation.

8.4 Non-Exclusivity of Rights. The rights conferred on any person in this Article VIII shall not be exclusive of any other right which such persons may have or hereafter acquire under any statute, provision of the Certificate, bylaw, agreement, vote of stockholders or disinterested directors or otherwise.

8.5 Indemnification Contracts. The Board of Directors is authorized to enter into a contract with any director, officer, employee or agent of the Corporation, or any person serving at the request of the Corporation as a director, officer, employee or agent of another Corporation, partnership, joint venture, trust or other enterprise, including employee benefit plans, providing for indemnification rights equivalent to or, if the Board of Directors so determines, greater than, those provided for in this Article VIII.

8.6 Insurance. The Corporation may maintain insurance to the extent reasonably available, at its expense, to protect itself and any such director, officer, employee or agent of the Corporation or another Corporation, partnership, joint venture, trust or other enterprise against any such expense, liability or loss, whether or not the Corporation would have the power to indemnify such person against such expense, liability or loss under the DGCL.

8.7 Effect of Amendment. Any amendment, repeal or modification of any provision of this Article VIII shall not adversely affect any right or protection of an indemnitee or his or her successor existing at the time of such amendment, repeal or modification.

0185701 0035901127C(RESTRICTED)H057-423



COMMON STOCK
PAR VALUE \$0.01

Certificate
Number
ZQ 000000

COMMON STOCK
THIS CERTIFICATE IS TRANSFERABLE IN
CANTON, MA, JERSEY CITY, NJ AND GOLDEN, CO

Shares
*****600620*****
*****600620*****
*****600620*****
*****600620*****
*****600620*****

CUSIP 38526M 10 6
SEE REVERSE FOR CERTAIN DEFINITIONS

GRAND CANYON
UNIVERSITY

GRAND CANYON EDUCATION, INC.
INCORPORATED UNDER THE LAWS OF THE STATE OF DELAWARE

MR. SAMPLE & MRS. SAMPLE &
MR. SAMPLE & MRS. SAMPLE

SIX HUNDRED THOUSAND
SIX HUNDRED AND TWENTY

THIS CERTIFIES THAT

is the owner of

FULLY-PAID AND NON-ASSESSABLE SHARES OF THE COMMON STOCK OF

Grand Canyon Education, Inc. (hereinafter called the "Company"), transferable on the books of the Company in person or by duly authorized attorney, upon surrender of this Certificate properly endorsed. This Certificate and the shares represented hereby, are issued and shall be held subject to all of the provisions of the Certificate of Incorporation, as amended and restated from time to time, and the Bylaws, as amended and restated from time to time, of the Company (copies of which are on file with the Company and with the Transfer Agent), to all of which each holder, by acceptance hereof, assents. This Certificate is not valid unless countersigned and registered by the Transfer Agent and Registrar.

Witness the facsimile seal of the Company and the facsimile signatures of its duly authorized officers.

Chris Mueller
Chief Executive Officer

Chris Robinson
Secretary

GRAND CANYON EDUCATION, INC.
SEAL
8/24/05
DELAWARE

DATED <Month Day, Year>>
COUNTERSIGNED AND REGISTERED:
COMPUTERSHARE TRUST COMPANY, N.A.
TRANSFER AGENT AND REGISTRAR

By _____
AUTHORIZED SIGNATURE

1234567



GRAND CANYON
UNIVERSITY
PO BOX 43004, Providence, RI 02940-3004

MR A SAMPLE
DESIGNATION (IF ANY)
ADD 1
ADD 2
ADD 3
ADD 4



CUSIP	XXXXXX XX X
Holder ID	XXXXXXXXXXXX
Insurance Value	1,000,000.00
Number of Shares	123456
DTC	12345678 123456789012345
Certificate Numbers	Num/No. Denom. Total
12345678901234567890	1 1 1
12345678901234567890	2 2 2
12345678901234567890	3 3 3
12345678901234567890	4 4 4
12345678901234567890	5 5 5
12345678901234567890	6 6 6
Total Transaction	7

GRAND CANYON EDUCATION, INC.

THE COMPANY WILL FURNISH WITHOUT CHARGE TO EACH STOCKHOLDER WHO SO REQUESTS A SUMMARY OF THE POWERS, DESIGNATIONS, PREFERENCES AND RELATIVE PARTICIPATING, OPTIONAL OR OTHER SPECIAL RIGHTS OF EACH CLASS OF STOCK OF THE COMPANY AND THE QUALIFICATIONS, LIMITATIONS OR RESTRICTIONS OF SUCH PREFERENCES AND RIGHTS, AND THE VARIATIONS IN RIGHTS, PREFERENCES AND LIMITATIONS DETERMINED FOR EACH SERIES, WHICH ARE FIXED BY THE CERTIFICATE OF INCORPORATION OF THE COMPANY AS AMENDED, AND THE RESOLUTIONS OF THE BOARD OF DIRECTORS OF THE COMPANY, AND THE AUTHORITY OF THE BOARD OF DIRECTORS TO DETERMINE VARIATIONS FOR FUTURE SERIES. SUCH REQUEST MAY BE MADE TO THE OFFICE OF THE SECRETARY OF THE COMPANY OR TO THE TRANSFER AGENT. THE BOARD OF DIRECTORS MAY REQUIRE THE OWNER OF A LOST OR DESTROYED STOCK CERTIFICATE, OR HIS LEGAL REPRESENTATIVES, TO GIVE THE COMPANY A BOND TO INDEMNIFY IT AND ITS TRANSFER AGENTS AND REGISTRARS AGAINST ANY CLAIM THAT MAY BE MADE AGAINST THEM ON ACCOUNT OF THE ALLEGED LOSS OR DESTRUCTION OF ANY SUCH CERTIFICATE.

The following abbreviations, when used in the inscription on the face of this certificate, shall be construed as though they were written out in full according to applicable laws or regulations:

TEN COM	- as tenants in common	UNIF GIFT MIN ACT-Custodian
			(Guat) (Minor)
TEN ENT	- as tenants by the entireties		under Uniform Gifts to Minors Act
			(State)
JT TEN	- as joint tenants with right of survivorship and not as tenants in common	UNIF TRF MIN ACTCustodian (until age. . .)
			(Guat) (Minor)
			under Uniform Transfers to Minors Act
			(State)

Additional abbreviations may also be used though not in the above list.

PLEASE INSERT SOCIAL SECURITY OR OTHER IDENTIFYING NUMBER OF ASSIGNEE

For value received, _____ hereby sell, assign and transfer unto

(PLEASE PRINT OR TYPEWRITENAME AND ADDRESS, INCLUDING POSTAL ZIP CODE, OF ASSIGNEE)

_____ Shares
of the common stock represented by the within Certificate, and do hereby irrevocably constitute and appoint _____ Attorney

to transfer the said stock on the books of the within-named Corporation with full power of substitution in the premises.

Dated: _____ 20 _____

Signature _____

Signature _____

Notice: The signature to this assignment must correspond with the name as written upon the face of the certificate, in every particular, without alteration or enlargement, or any change whatever.

Signature(s) Guaranteed, Medallion Guarantee Stamp
THE SIGNATURE(S) SHOULD BE GUARANTEED BY AN ELIGIBLE GUARANTOR INSTITUTION (BANK, STOCKBROKER, SIGNING AND LOAN AGENTS AND CREDIT UNIONS) WITH MEMBERSHIP IN AN APPROVED SIGNATURE GUARANTEE MEDALLION PROGRAM, PURSUANT TO SEC. RULE 15a-6.

SECURITY INSTRUCTIONS

THIS IS WATERMARKED PAPER. DO NOT ACCEPT WITHOUT NOTING WATERMARK. HOLD TO LIGHT TO VIEW IN WATERMARK.



AMENDED AND RESTATED
INVESTOR RIGHTS AGREEMENT
DATED: SEPTEMBER 17, 2008

TABLE OF CONTENTS

SECTION 1 AGREEMENT GENERAL	Page 1
1.1 Definitions	1
SECTION 2 REGISTRATION	3
2.1 Demand Registration	3
2.2 Piggyback Registrations	5
2.3 Form S-3 Registration	6
2.4 Expenses of Registration	7
2.5 Obligations of the Company	7
2.6 Termination of Registration Rights	8
2.7 Delay of Registration; Furnishing Information	8
2.8 Indemnification	9
2.9 Assignment of Registration Rights	11
2.10 Limitation on Subsequent Registration Rights	11
2.11 “Market Stand-Off” Agreement	11
2.12 SEC Compliance	12
SECTION 3 COVENANTS OF THE COMPANY	12
3.1 Basic Financial Information and Reporting	12
3.2 Inspection Rights	14
3.3 Taxes	14
3.4 Insurance	15
3.5 Compliance With Laws	15
3.6 Corporate Existence	15
3.7 Business Plan	15
3.8 Meetings of the Board of Directors	15
3.9 Confidentiality of Records	15
3.10 Reservation of Common Stock	15
3.11 Negative Covenants of the Company	15
3.12 Termination of Covenants	18
SECTION 4 MISCELLANEOUS	18
4.1 Governing Law; Venue	18

TABLE OF CONTENTS
(continued)

4.2 Successors and Assigns	Page 18
4.3 Severability	18
4.4 Amendment and Waiver	18
4.5 Delays or Omissions	18
4.6 Notices	19
4.7 Headings	19
4.8 Complete Agreement	19
4.9 Counterparts; Facsimile Copies	19

AMENDED AND RESTATED INVESTOR RIGHTS AGREEMENT

This AMENDED AND RESTATED INVESTOR RIGHTS AGREEMENT (this “Agreement”) is entered into as of September 17, 2008, by and among GRAND CANYON EDUCATION, INC., a Delaware corporation formerly known as Significant Education, Inc. (the “Company”); each person listed on Schedule A hereto as an “Investor” (the “Investors”); each holder of Common Stock set listed on Schedule A hereto as a “Common Stockholder” (the “Common Stockholders”); and SPIRIT MANAGEMENT COMPANY, a Maryland corporation (“Spirit”).

RECITALS

WHEREAS, the Company has agreed to provide to the Investors, the Common Stockholders and Spirit registration rights, information rights, and other rights as set forth herein.

NOW, THEREFORE, in consideration of the mutual promises, representations, warranties, covenants and conditions set forth in this Agreement, the parties mutually agree as follows:

SECTION 1 AGREEMENT GENERAL

1.1 Definitions. As used in this Agreement the following terms shall have the following respective meanings:

“Affiliate” of a Holder means any member, manager, general or limited partner of such Holder or any other person, entity or investment fund controlling, controlled by or under common control with such Holder.

“Business Plan” has the meaning specified in Section 3.7 hereof.

“Common Stock” means the Company’s Common Stock, par value \$.01 per share, and any other common equity securities issued by the Company, and any other shares of stock issued or issuable with respect thereto (whether by way of stock dividend or stock split or in exchange for or upon conversion of such shares or otherwise in connection with a combination of shares, recapitalization, merger, consolidation, or other corporate reorganization).

“DOE” shall mean the United States Department of Education.

“Endeavour Directors” shall have the meaning specified in the Amended and Restated Stockholders Agreement dated the date hereof by and among the Company and the other parties named therein.

“Exchange Act” means the Securities Exchange Act of 1934, as amended.

“Form S-3” means such form under the Securities Act as in effect on the date hereof or any successor registration form under the Securities Act subsequently adopted by the SEC which

permits inclusion or incorporation of substantial information by reference to other documents filed by the Company with the SEC.

“HLC” means the Higher Learning Commission of the North Central Association of Colleges and Schools.

“Holder” means any Common Stockholder, any Investor, Spirit or any holder of Registrable Securities to whom the registration rights conferred by this Agreement to a Common Stockholder or Spirit have been transferred in compliance with Section 2.9 hereof.

“Initial Offering” means the Company’s first firm commitment underwritten public offering of its Common Stock registered under the Securities Act.

“Initiating Holders” has the meaning specified in Section 2.1 hereof.

“Material Adverse Effect” means, when used in connection with the Company or any other person, any event, circumstance, change or effect that is or is reasonably likely to be materially adverse to the business (including, but not limited to, governmental and student relations and their effect thereon), condition (financial or otherwise), assets, liabilities, or result of operations of such person.

“Qualified Public Offering” has the meaning specified in Section 2.1 hereof.

“Registrable Securities” means (i) shares of Common Stock held by any Holder as of the date of this Agreement, (ii) shares of Common Stock issued or issuable upon conversion of the Shares, (iii) shares of Common Stock issued or issuable pursuant to the exercise of the Warrant, and (iv) shares of Common Stock issued or issuable upon any stock split, stock dividend, recapitalization or similar event with respect to the Common Stock covered by (i), (ii) and (iii) above and any other securities issued in exchange of or replacement of such Common Stock. As to any particular Registrable Securities, such securities shall cease to be Registrable Securities when they have been distributed to the public pursuant to a public offering registered under the Securities Act or sold to the public through a broker, dealer or market maker in compliance with Rule 144 under the Securities Act (or any similar rule then in force).

“Registration Expenses” shall mean all expenses incurred by the Company in complying with Sections 2.1, 2.2 and 2.3, hereof, including, without limitation, all registration and filing fees (exclusive of underwriting discounts and commissions), printing expenses, fees and disbursements of counsel for the Company, reasonable fees and disbursements of a single special counsel for the Holders, blue sky fees and expenses and the expense of any special audits incident to or required by any such registration (but excluding the compensation of regular employees of the Company which shall be paid in any event by the Company).

“Regulatory Approvals” shall mean any licenses, permits, authorizations, approvals, clearances, consents, certificates and other evidences of approvals or authority issued by any Regulatory Entities.

“Regulatory Entities” shall mean any person, entity or organization, whether governmental, government chartered, private, or quasi-private, that engages in granting or

withholding Regulatory Approvals for and regulates post-secondary schools, their agents, or employees in accordance with standards relating to the performance, operation, financial condition, or academic standards of such schools, and the provision of financial assistance by and to such schools, including but not limited to the DOE, the HLC, and any other approval, licensing, or accrediting authority.

“School” shall mean the single institution, with the Office of Postsecondary Identification Number 00107400, including all of its locations and educational programs.

“SEC” means the Securities and Exchange Commission.

“Securities Act” shall mean the Securities Act of 1933, as amended.

“Selling Expenses” shall mean all underwriting discounts, selling commissions and stock transfer taxes applicable to the sale of Registrable Securities and fees and disbursements of counsel for any Holder (other than the fees and disbursements of counsel included in the Registration Expenses).

“Series A Preferred Stock” shall mean the Company’s Series A Convertible Preferred Stock, par value \$0.01 per share, and any other shares of stock issued or issuable with respect thereto (whether by way of stock dividend or stock split or in exchange for or upon conversion of such shares or otherwise in connection with a combination of shares, recapitalization, merger, consolidation, or other corporate reorganization).

“Series C Preferred Stock” shall mean the Company’s Series C Preferred Stock, par value \$0.01 per share, and any other shares of stock issued or issuable with respect thereto (whether by way of stock dividend or stock split or in exchange for or upon conversion of such shares or otherwise in connection with a combination of shares, recapitalization, merger, consolidation, or other corporate reorganization).

“Shares” shall mean shares of the Company’s Series A Preferred Stock and Series C Preferred Stock.

“Warrant” means the warrant to purchase Common Stock of the Company issued to Spirit, dated June 2004, as amended and/or amended and restated from time to time and as adjusted in accordance with that certain Notice of Adjustment dated August 12, 2005.

SECTION 2 REGISTRATION

2.1 Demand Registration.

(a) Subject to the conditions of this Section 2.1, if the Company shall receive a written request from the Investors holding at least a majority of the Registrable Securities held by Investors that the Company file a registration statement under the Securities Act covering the registration of Registrable Securities and the aggregate offering price to the public of any such offering would exceed \$10,000,000 (a “Qualified Public Offering”), then the Company shall, within thirty (30) days of the receipt thereof, give written notice of such request to all Investors,

and subject to the limitations of this Section 2.1, use its reasonable commercial efforts to effect, as soon as practicable, the registration under the Securities Act of all Registrable Securities that the Investors request to be registered. The Investors requesting registration pursuant to this Section 2.1 shall be referred to as the “Initiating Holders.”

(b) If the Initiating Holders intend to distribute the Registrable Securities covered by their request by means of an underwriting, they shall so advise the Company as a part of their request made pursuant to this Section 2.1 and the Company shall include such information in the written notice referred to in Section 2.1(a). In such event, the right of any Investor to include its Registrable Securities in such registration shall be conditioned upon such Investor’s participation in such underwriting and the inclusion of such Investor’s Registrable Securities in the underwriting (unless otherwise mutually agreed by a majority in interest of the Initiating Holders and such Investor) to the extent provided herein. All Investors proposing to distribute their securities through such underwriting shall enter into an underwriting agreement in customary form with the underwriter or underwriters selected for such underwriting by a majority in interest of the Initiating Holders (which underwriter or underwriters shall be reasonably acceptable to the Company). Notwithstanding any other provision of this Section 2.1, if the underwriter advises the Company that marketing factors require a limitation of the number of securities to be underwritten (including Registrable Securities), then the Company shall so advise all Investors whose Registrable Securities would otherwise be underwritten pursuant hereto, and the number of shares that may be included in the underwriting shall be allocated to such Investors on a *pro rata* basis based on the number of Registrable Securities held by all such Investors (including the Initiating Holders). Any Registrable Securities excluded or withdrawn from such underwriting shall be withdrawn from the registration.

(c) The Company shall not be required to effect a registration pursuant to this Section 2.1:

- (i) after the Company has effected two (2) such registrations, and such registrations have been declared or ordered effective;
- (ii) during the period starting with the date of filing of, and ending on the date ninety (90) days following the effective date of the registration statement pertaining to the Initial Offering; provided that the Company makes reasonable good faith efforts to cause such registration statement to become effective;
- (iii) if, within thirty (30) days of receipt of a written request from Initiating Holders pursuant to Section 2.1(a), the Company gives notice to the Investors of the Company’s intention to make a Qualified Public Offering within ninety (90) days;
- (iv) if the Company shall furnish to the Investors requesting a registration statement pursuant to this Section 2.1 a certificate signed by the Chairman of the Board stating that, in the good faith judgment of a majority of the Directors of the Company, it would be seriously detrimental to the Company and its stockholders for such registration statement to be effected at such time, in which event the Company shall have the right to defer such filing for a period of not more than sixty (60) days after receipt of

the request of the Initiating Holders; provided that such right to delay a request shall be exercised by the Company not more than once in any twelve (12) month period; or

(v) Until the Company has completed its Initial Offering or August 24, 2009, whichever is sooner.

2.2 Piggyback Registrations.

(a) The Company shall notify all Holders of Registrable Securities in writing at least thirty (30) days prior to the filing of any registration statement under the Securities Act for purposes of a public offering of securities of the Company (including, but not limited to, registration statements relating to secondary offerings of securities of the Company, but excluding registration statements relating to employee benefit plans or with respect to corporate reorganizations or other transactions under Rule 145 of the Securities Act) and will afford each such Holder an opportunity to include in such registration statement all or part of the Registrable Securities held by such Holder. Each Holder desiring to include in any such registration statement all or any part of the Registrable Securities held by it shall, within twenty (20) days after the receipt of the above-described notice from the Company, so notify the Company in writing. Such notice shall state the intended method of disposition of the Registrable Securities held by such Holder. If a Holder decides not to include all of its Registrable Securities in any registration statement thereafter filed by the Company, such Holder shall nevertheless continue to have the right to include any Registrable Securities in any subsequent registration statement or registration statements as may be filed by the Company with respect to offering of its securities, all upon the terms and conditions set forth herein.

(b) If the registration statement under which the Company gives notice under this Section 2.2 is for an underwritten offering, the Company shall so advise the Holders of Registrable Securities. In such event, the right of any such Holder to be included in a registration pursuant to this Section 2.2 shall be conditioned upon such Holder's participation in such underwriting and the inclusion of such Holder's Registrable Securities in the underwriting to the extent provided herein. All Holders proposing to distribute their Registrable Securities through such underwriting shall enter into an underwriting agreement in customary form with the underwriter or underwriters selected for such underwriting by the Company. Notwithstanding any other provision of the Agreement, if the underwriter and/or the Company determine in good faith that marketing factors require a limitation of the number of shares to be underwritten, the number of shares that may be included in the underwriting shall be allocated first, among the Investors, if any, seeking registration under Section 2.1 hereof on a *pro rata* basis based on the total number of Registrable Securities held by the Investors and second, to the Common Stockholders and Spirit, if any, seeking registration under this Section 2.2 hereof on a *pro rata* basis based on the total number of Registrable Securities held by the Common Stockholders and Spirit. No such reduction shall reduce the securities being offered by the Company for its own account to be included in the registration and underwriting, and in no event shall the amount of securities of the selling Holders included in the registration be reduced below thirty percent (30%) of the total amount of securities included in such registration, unless such offering is the Initial Offering and such registration does not include shares of any other selling stockholder (other than the stockholder(s), if any, invoking the demand registration), in which event any or all of the Registrable Securities of the Investors may be excluded. In no event will shares of any

other selling stockholder be included in such registration that would reduce the number of shares that may be included by Holders without the prior written consent of Holders of not less than seventy-five percent (75%) of the Registrable Securities on an as-converted basis proposed to be sold in the offering.

(c) Upon an affirmative vote of a majority of the directors of the Company, the Company shall have the right to terminate or withdraw any registration initiated by it under this Section 2.2 prior to the effectiveness of such registration whether or not any Holder has elected to include securities in such registration. The Registration Expenses of such withdrawn registration shall be borne by the Company in accordance with Section 2.4 hereof.

2.3 Form S-3 Registration. Subject to the conditions of this Section 2.3 and after the Company has completed its Initial Offering, in the event the Company receives from any Holder or Holders of Registrable Securities a written request or requests that the Company effect a registration on Form S-3 (or any successor to Form S-3) or any similar short-form registration statement and any related qualification or compliance with respect to all or a part of the Registrable Securities owned by such Holder or Holders, the Company will:

(a) promptly give written notice of the proposed registration, and any related qualification or compliance, to all other Holders of Registrable Securities; and

(b) as soon as practicable, use its reasonable commercial efforts to effect such registration and all such qualifications and compliances as may be so requested and as would permit or facilitate the sale and distribution of all or such portion of such Holder's or Holders' Registrable Securities as are specified in such request, together with all or such portion of the Registrable Securities of any other Holder or Holders joining in such request as are specified in a written request given within twenty (20) days after receipt of such written notice from the Company; *provided, however*, that the Company shall not be obligated to effect any such registration, qualification or compliance pursuant to this Section 2.3:

(i) if Form S-3 (or any successor or similar form) is not available for such offering by the Holders or if the Company is not eligible to use such form;

(ii) if the Holders propose to sell Registrable Securities and such other securities (if any) at an aggregate price to the public of less than \$1,000,000;

(iii) if the Company shall furnish to the Holders a certificate signed by the Chairman of the Board of Directors of the Company stating that, in the good faith judgment of the Board of Directors of the Company, it would be seriously detrimental to the Company and its stockholders for such Form S-3 Registration to be effected at such time, in which event the Company shall have the right to defer the filing of the Form S-3 registration statement for a period of not more than sixty (60) days after receipt of the request of the Holder or Holders under this Section 2.3; provided, that such right to delay a request shall be exercised by the Company not more than twice in any twelve (12) month period; or

(iv) after the Company has effected two (2) such registrations for Investors pursuant to this Section 2.3 and two (2) such registrations for the Common

Stockholders and Spirit, collectively, pursuant to this Section 2.3, and such registrations have been declared or ordered effective.

(c) Subject to the foregoing, the Company shall file a Form S-3 registration statement covering the Registrable Securities and other securities so requested to be registered as soon as practicable after receipt of the request or requests of the Holders.

2.4 Expenses of Registration. All Registration Expenses incurred in connection with any registration, qualification or compliance pursuant to Section 2.1 or any registration under Section 2.2 or Section 2.3 herein shall be borne by the Company. All Selling Expenses incurred in connection with any registrations hereunder, shall be borne by the Holders of the securities so registered *pro rata* on the basis of the number of shares so registered.

2.5 Obligations of the Company. Whenever required by the provisions of this Agreement to effect the registration of any Registrable Securities, the Company shall, as expeditiously as reasonably possible:

(a) Prepare and file with the SEC a registration statement with respect to such Registrable Securities and use all reasonable efforts to cause such registration statement to become effective, and, upon the request of the Holders of a majority of the Registrable Securities registered thereunder, keep such registration statement effective for up to ninety (90) days or, if earlier, until the Holder or Holders have completed the distribution related thereto.

(b) Subject to Section 2.7 hereof, prepare and file with the SEC such amendments and supplements to such registration statement and the prospectus used in connection with such registration statement as may be necessary to comply with the provisions of the Securities Act with respect to the disposition of all securities covered by such registration statement.

(c) Furnish to the Holders such number of copies of a prospectus, including a preliminary prospectus, in conformity with the requirements of the Securities Act, and such other documents as they may reasonably request in order to facilitate the disposition of Registrable Securities owned by them.

(d) Use all reasonable efforts to register and qualify the securities covered by such registration statement under such other securities or Blue Sky laws of such jurisdictions as shall be reasonably requested by the Holders, provided that the Company shall not be required in connection therewith or as a condition thereto to qualify to do business or to file a general consent to service of process in any such states or jurisdictions.

(e) In the event of any underwritten public offering, enter into and perform its obligations under an underwriting agreement, in usual and customary form, with the managing underwriter(s) of such offering. Each Holder participating in such underwriting shall also enter into and perform its obligations under such an agreement.

(f) Notify each Holder of Registrable Securities covered by such registration statement at any time when a prospectus relating thereto is required to be delivered under the Securities Act of the happening of any event as a result of which the prospectus included in such

registration statement, as then in effect, includes an untrue statement of a material fact or omits to state a material fact required to be stated therein or necessary to make the statements therein not misleading in the light of the circumstances then existing.

(g) Cause all such Registrable Securities to be listed on each securities exchange or automated quotation system on which similar securities issued by the Company are then listed.

(h) Promptly provide a transfer agent and registrar for all such Registrable Securities not later than the effective date of the registration statement.

(i) Furnish, at the request of a majority of the Holders participating in the registration, on the date that such Registrable Securities are delivered to the underwriters for sale, if such securities are being sold through underwriters, or, if such securities are not being sold through underwriters, on the date that the registration statement with respect to such securities becomes effective, (i) an opinion, dated as of such date, of the counsel representing the Company for the purposes of such registration, in form and substance as is customarily given to underwriters in an underwritten public offering and reasonably satisfactory to a majority in interest of the Holders requesting registration, addressed to the underwriters, if any, and to the Holders requesting registration of Registrable Securities and (ii) a letter dated as of such date, from the independent certified public accountants of the Company, in form and substance as is customarily given by independent certified public accountants to underwriters in an underwritten public offering and reasonably satisfactory to a majority in interest of the Holders requesting registration addressed to the underwriters, if any, and if permitted by applicable accounting standards, to the Holders requesting registration of Registrable Securities.

(j) Promptly following the effectiveness of such registration statement, notify each Holder of such Registrable Securities of the effectiveness of such registration statement and thereafter, notify each Holder of such Registrable Securities of any request by the SEC for the amending or supplementing of such registration statement or prospectus.

2.6 Termination of Registration Rights. All registration rights granted under this Section 2 shall terminate on, and be of no further force and effect after, August 24, 2015, unless otherwise set forth herein.

2.7 Delay of Registration: Furnishing Information.

(a) No Holder shall have any right to obtain or seek an injunction restraining or otherwise delaying any such registration as the result of any controversy that might arise with respect to the interpretation or implementation of this Section 2.

(b) It shall be a condition precedent to the obligations of the Company to take any action pursuant to Section 2.1, 2.2 or 2.3 that the selling Holders shall furnish to the Company such information regarding themselves, the Registrable Securities held by them and the intended method of disposition of such securities as shall be required to effect the registration of their Registrable Securities.

(c) If the Company shall notify a Holder pursuant to Section 2.5(f) of this Agreement that a prospectus required to be delivered includes an untrue statement of material fact or omit to state a material fact required to be stated therein or necessary to make the statements therein not misleading in light of the circumstances then existing, the Holders shall not make any sales of Registrable Securities using such prospectus; *provided, however*, that the Company must furnish the Holder with a prospectus that may be used to sell Registrable Securities within thirty (30) days after notifying the Holder pursuant to Section 2.5(f) hereof, and *provided further*, that the Company may not delay the Holder's ability to sell Registrable Securities pursuant to this Section 2.7(c) for more than sixty (60) days in any twelve month period.

2.8 Indemnification. In the event any Registrable Securities are included in a registration statement under Sections 2.1, 2.2 or 2.3:

(a) To the extent permitted by law, the Company will indemnify and hold harmless each Holder, the partners, managers, officers, directors and legal counsel of each Holder, any underwriter (as defined in the Securities Act) for such Holder and each person, if any, who controls such Holder or underwriter within the meaning of the Securities Act or the Exchange Act, against any losses, claims, damages, or liabilities (joint or several) to which they may become subject under the Securities Act, the Exchange Act or other federal or state law, insofar as such losses, claims, damages or liabilities (or actions in respect thereof) arise out of or are based upon any of the following statements' omissions or violations (each a "Violation") by the Company: (i) any untrue statement or alleged untrue statement of a material fact contained in such registration statement, including any preliminary prospectus or final prospectus contained therein or any amendments or supplements thereto, (ii) the omission or alleged omission to state therein a material fact required to be stated therein, or necessary to make the statements therein not misleading, or (iii) any violation or alleged violation by the Company of the Securities Act, the Exchange Act, any state securities law or any rule or regulation promulgated under the Securities Act, the Exchange Act or any state securities law in connection with the offering covered by such registration statement; and the Company will reimburse each such Holder, partner, officer or director, underwriter or controlling person for any legal or other expenses reasonably incurred by them in connection with investigating or defending any such loss, claim, damage, liability or action; *provided, however*, that the Company shall not be liable in any such case for any such loss, claim, damage, liability or action to the extent that it arises solely out of or is based solely upon a Violation which occurs in reliance upon and in conformity with written information furnished expressly for use in connection with such registration by such Holder, partner, officer, director, underwriter or controlling person of such Holder.

(b) To the extent permitted by law, each Holder will, if Registrable Securities held by such Holder are included in the securities as to which such registration qualifications or compliance is being effected, indemnify and hold harmless the Company, each of its directors, its officers, and legal counsel and each person, if any, who controls the Company within the meaning of the Securities Act, any underwriter and any other Holder selling securities under such registration statement or any of such other Holder's partners, directors or officers or any person who controls such Holder, against any losses, claims, damages or liabilities (joint or several) to which the Company or any such director, officer, controlling person, underwriter or other such Holder, or partner, director, officer or controlling person of such other Holder may

become subject under the Securities Act, the Exchange Act or other federal or state law, insofar as such losses, claims, damages or liabilities (or actions in respect thereto) arise out of or are based upon any Violation, in each case to the extent (and only to the extent) that such Violation occurs in reliance upon and in conformity with written information furnished by such Holder under an instrument duly executed by such Holder (or its authorized agent) and stated to be specifically for use in connection with such registration; and each such Holder will reimburse any legal or other expenses reasonably incurred by the Company or any such director, officer, controlling person, underwriter or other Holder, or partner, officer, director or controlling person of such other Holder in connection with investigating or defending any such loss, claim, damage, liability or action if it is finally judicially determined that there was such a Violation; *provided, however*, in no event shall any indemnity under this Section 2.8 exceed the net proceeds from the offering received by such Holder.

(c) Promptly after receipt by an indemnified party under this Section 2.8 of notice of the commencement of any action (including any governmental action), such indemnified party will, if a claim in respect thereof is to be made against any indemnifying party under this Section 2.8, deliver to the indemnifying party a written notice of the commencement thereof and the indemnifying party shall have the right to participate in, and, to the extent the indemnifying party so desires, jointly with any other indemnifying party similarly noticed, to assume the defense thereof with counsel mutually satisfactory to the parties; *provided, however*, that an indemnified party shall have the right to retain its own counsel, with the fees and expenses to be paid by the indemnifying party, if representation of such indemnified party by the counsel retained by the indemnifying party would be inappropriate due to actual or potential differing interests between such indemnified party and any other party represented by such counsel in such proceeding. The failure to deliver written notice to the indemnifying party within a reasonable time of the commencement of any such action, if materially prejudicial to its ability to defend such action, shall relieve such indemnifying party of any liability to the indemnified party under this Section 2.8, but the omission so to deliver written notice to the indemnifying party will not relieve it of any liability that it may have to any indemnified party otherwise than under this Section 2.8.

(d) If the indemnification provided for in this Section 2.8 is held by a court of competent jurisdiction to be unavailable to an indemnified party with respect to any losses, claims, damages or liabilities referred to herein, the indemnifying party, in lieu of indemnifying such indemnified party thereunder, shall to the extent permitted by applicable law contribute to the amount paid or payable by such indemnified party as a result of such loss, claim, damage or liability in such proportion as is appropriate to reflect the relative fault of the indemnifying party on the one hand and of the indemnified party on the other in connection with the Violation(s) that resulted in such loss claim, damage or liability, as well as any other relevant equitable considerations. The relative fault of the indemnifying party and of the indemnified party shall be determined by a court of law by reference to, among other things, whether the untrue or alleged untrue statement of a material fact or the omission to state a material fact relates to information supplied by the indemnifying party or by the indemnified party and the parties' relative intent, knowledge, access to information and opportunity to correct or prevent such statement or omission; *provided*, that in no event shall any contribution by a Holder hereunder exceed the proceeds from the offering received by such Holder.

(e) The obligations of the Company and Holders under this Section 2.8 shall survive completion of any offering of Registrable Securities in a registration statement. No indemnifying party, in the defense of any such claim or litigation, shall, except with the consent of each indemnified party, consent to entry of any judgment or enter into any settlement which does not include as an unconditional term thereof the giving by the claimant or plaintiff to such indemnified party of a release from all liability in respect to such claim or litigation. No indemnifying party shall be liable to any indemnified party in respect of any amounts due in settlement of any claim or litigation without the prior written consent of the indemnifying party, which consent shall not be unreasonably withheld.

2.9 Assignment of Registration Rights. The rights to cause the Company to register Registrable Securities pursuant to this Section 2 may be assigned by a Investor to a transferee or assignee of Registrable Securities; *provided, however*, (a) the transferor shall, within fifteen (15) days after such transfer, furnish to the Company written notice of the name and address of such transferee or assignee and the securities with respect to which such registration rights are being assigned, and (b) such transferee shall agree in writing to be subject to all rights and restrictions applicable to Investors set forth in this Agreement, and such transferee or assignee shall thereby become an “Investor” for purposes of this Agreement. The rights to cause the Company to register Registrable Securities pursuant to this Section 2 may not be assigned by any Common Stockholder or Spirit to a transferee or assignee of Registrable Securities; provided, however, that any Common Stockholder or Spirit may elect to transfer its rights pursuant to this Section 2 to any other Common Stockholder or an Affiliate of such Common Stockholder or Spirit, if (a) the transferor shall, within fifteen (15) days after such transfer, furnish to the Company written notice of the name and address of such transferee or assignee and the securities with respect to which such registration rights are being assigned, and (b) such transferee shall agree in writing to remain subject to all rights and restrictions applicable to the Common Stockholders set forth in this Agreement, and such transferee or assignee shall thereby become a “Common Stockholder” for purposes of this Agreement.

2.10 Limitation on Subsequent Registration Rights. After the date of this Agreement, the Company shall not, without the prior written consent of the Investors of at least fifty percent (50%) of the Registrable Securities held by Investors and the prior written consent of the Holders of at least fifty percent (50%) of the Registrable Securities held by Holders, enter into any agreement with any holder or prospective holder of any securities of the Company that would grant such holder registration rights senior to those granted to the Investors hereunder.

2.11 “Market Stand-Off” Agreement. If requested by the Company or the representative of the underwriters of Common Stock (or other securities) of the Company, each Holder shall not sell or otherwise transfer or dispose of any Common Stock (or other securities) of the Company held by such Holder (other than those included in the registration) for a period specified by the representative of the underwriters not to exceed one hundred eighty (180) days following the effective date of a registration statement of the Company filed under the Securities Act, provided that

(a) such agreement shall apply only to the Company’s Initial Offering; and

(b) all officers and directors of the Company and holders of at least one percent (1%) of the Company's voting securities enter into similar agreements.

The obligations described in this Section 2.11 shall not apply to a registration relating solely to employee benefit plans on Form S-1 or Form S-8 or similar forms that may be promulgated in the future, or a registration relating solely to a Rule 145 transaction on Form S-4 or similar forms that may be promulgated in the future. The Company may impose stop-transfer instructions with respect to the shares of Common Stock (or other securities) subject to the foregoing restriction until the end of said one hundred eighty (180) day period.

2.12 **SEC Compliance.** After the earliest of (i) the closing of the sale of securities of the Company pursuant to a registration statement, (ii) the registration by the Company of a class of securities under Section 12 of the Exchange Act, or (iii) the issuance by the Company of an offering circular pursuant to Regulation A under the Securities Act, the Company agrees to:

(a) make and keep current public information about the Company available, as those terms are understood and defined in Rule 144 promulgated under the Securities Act;

(b) use its best efforts to file with the SEC in a timely manner all reports and other documents required of the Company under the Securities Act and the Exchange Act (at any time after it has become subject to such reporting requirements); and

(c) furnish to any Holder of Registrable Securities upon request (i) a written statement by the Company as to its compliance with the reporting requirements of Rule 144 and of the Securities Act and the Exchange Act (at any time after it has become subject to such reporting requirements), (ii) a copy of the most recent annual or quarterly report of the Company, and (iii) such other reports and documents of the Company as such holder may reasonably request to avail itself of any similar rule or regulation of the SEC allowing it to sell any such securities without registration.

SECTION 3 COVENANTS OF THE COMPANY

3.1 Basic Financial Information and Reporting.

(a) The Company will maintain true books and records of account in which full and correct entries will be made of all its business transactions pursuant to a system of accounting established and administered in accordance with generally accepted accounting principles and which shall be true and correct in all material respects and will set aside on its books all such proper accruals and reserves as shall be required under generally accepted accounting principles.

(b) So long as any Investor or its Affiliates shall own any Shares, as soon as practicable after the end of each fiscal year of the Company, and in any event within ninety (90) days thereafter, the Company will furnish the Investors a consolidated balance sheet of the Company, as at the end of such fiscal year, and a consolidated statement of income and a consolidated statement of cash flows of the Company, for such year, all prepared in accordance with generally accepted accounting principles and setting forth in each case in comparative form

the figures for the previous fiscal year, all in reasonable detail. Such financial statements shall be accompanied by a report and opinion thereon by independent public accountants of regional standing that is familiar with DOE regulatory and audit issues selected by the Company's Board of Directors, and a Company-prepared comparison to the Company's operating plan for such year.

(c) So long as any Investor or its Affiliates shall own any Shares, the Company will furnish the Investors, as soon as practicable after the end of each calendar month and in any event within thirty (30) days thereafter, (i) historical financial statements of the Company, including a consolidated balance sheet of the Company as of the end of each month, and a consolidated statement of income and a consolidated statement of cash flows of the Company for such month and for the current fiscal year to date prepared in accordance with generally accepted accounting principles, and (ii) a projected statement of cash flows of the Company for the next twelve (12) months prepared in accordance with generally accepted accounting principles, with the exception that no notes need be attached to such statements and year-end audit adjustments may not have been made.

(d) So long as any Investor or its Affiliates shall own any Shares, the Company will furnish to the Investors (i) no later than thirty (30) days prior to the beginning of each fiscal year, a copy of the Business Plan, and as soon as available, any subsequent revisions or supplements thereto, (ii) all material correspondence with the Company's lenders within ten (10) business days after the date of such correspondence, and (iii) as soon as practicable after the end of each month, and in any event within thirty (30) days thereafter, a consolidated balance sheet of the Company as of the end of each such month, and a consolidated statement of income and a consolidated statement of cash flows of the Company for such month and for the current fiscal year to date, including a comparison to plan figures for such period, prepared in accordance with generally accepted accounting principles consistently applied, with the exception that no notes need be attached to such statements and year-end audit adjustments may not have been made.

(e) So long as any Investor or its Affiliates shall own any Shares, the Company will furnish to the Investors, reasonably promptly in advance of any meeting of the Board of Directors, copies of the materials provided to the Board members for any such meeting.

(f) So long as any Investor or its Affiliates shall own any Shares, the Company will furnish to the Investors, promptly upon receipt thereof, any written report, so-called "management letter," and any material written communication submitted to the Company by its independent public accountants relating to the business, prospects or financial condition of the Company.

(g) So long as any Investor or its Affiliates shall own any Shares, the Company will furnish to the Investors, promptly upon receipt thereof, any written report and any material written communication submitted to the Company by any Regulatory Entity, including, but not limited to, any assertion by any Regulatory Entity that the Company or the School is not in material compliance with the terms of its Regulatory Approval or with any laws, regulations or requirements administered by such Regulatory Entity.

(h) So long as any Investor or its Affiliates shall own any Shares, the Company will furnish to the Investors, promptly upon the occurrence or commencement thereof, notice of (i) all actions, suits and proceedings before any court or governmental department, commission, board, bureau, agency or instrumentality, domestic or foreign, affecting the Company which, if successful, could have a Material Adverse Effect on the Company; (ii) all material defaults by the Company (whether or not declared) under any agreement for money borrowed (unless waived or cured within applicable grace periods); (iii) all material defaults by the Company or third party under any contract, agreement or arrangement which are material to the Company and its subsidiaries, taken as a whole, or to the business or operations of the Company.

(i) So long as any Investor or its Affiliates shall own any Shares, the Company will furnish to the Investors, promptly upon sending, making available or filing the same, all reports and financial statements as the Company shall send or make available generally to the stockholders of the Company as such.

(j) So long as any Investor or its Affiliates shall own any Shares, the Company will furnish to the Investors as soon as reasonably practicable, (but in any event at least one (1) Business Day prior to release), a draft of any press release of the Company pertaining to any significant development with regard to the Company's operations, management or financial condition.

(k) So long as any Investor or its Affiliates shall own any Shares, the Company will provide to the Investors such other information with regard to the business, properties or the condition or operations, financial or otherwise, of the Company, as Endeavour may from time to time reasonably request.

(l) So long as any Common Stockholder or its Affiliates shall own any shares of Common Stock, the Company will provide to the Common Stockholders copies of information provided to the Investors or their Affiliates under this Section 3.1.

3.2 Inspection Rights. The Investors shall have the right to visit and inspect any of the properties of the Company or any of its subsidiaries, and to discuss the affairs, finances and accounts of the Company or any of its subsidiaries with its officers, and to review such information as is reasonably requested all at such reasonable times and as often as may be reasonably requested.

3.3 Taxes. The Company will pay and discharge all taxes, assessments and governmental charges or levies imposed upon it or upon its income or profits, or upon any properties belonging to it, prior to the date on which penalties attach thereto, and all lawful claims which, if unpaid, might become a lien or charge upon any properties of the Company, provided that the Company shall not be required to pay any such tax, assessment, charge, levy or claim which is being contested in good faith and by proper proceedings if the Company shall have set aside on its books adequate reserves with respect thereto.

3.4 Insurance. The Company will obtain and maintain with financially sound and reputable insurers directors and officers' liability insurance in a reasonable amount determined by the Board of Directors.

3.5 Compliance With Laws. The Company will comply with all applicable laws, rules, regulations and orders of any governmental authority, the noncompliance with which could have a Material Adverse Effect on the Company.

3.6 Corporate Existence. The Company will at all times preserve and keep in full force and effect its corporate existence, and rights and franchises material to the business of the Company, and will qualify to do business as a foreign corporation in any jurisdiction where the failure to do so would have a Material Adverse Effect on the Company.

3.7 Business Plan. Prior to the end of each fiscal year, the Company will prepare and submit to its Board of Directors for its approval prior to such year end an operating plan and budget, cash flow projections and profit and loss projections, all itemized in reasonable detail for the immediately following year (collectively referred to herein as the "Business Plan").

3.8 Meetings of the Board of Directors. The directors shall schedule regular meetings not less frequently than once every quarter, unless otherwise determined by the Board of Directors, provided, however, that the Endeavour Directors or the holders of a majority of the outstanding shares of Series A Preferred Stock shall have the right to call additional meetings of the Board of Directors by giving at least twenty-four (24) hour notice in the form and manner set forth in the Company's Bylaws. The Company shall reimburse directors for all reasonable direct out of pocket expenses incurred in attending such meetings.

3.9 Confidentiality of Records. The Investors each agree to use, and to use its best efforts to ensure that its authorized representatives use, the same degree of care as each uses to protect its own confidential information to keep confidential any information furnished to it which the Company identifies as being confidential or proprietary (so long as such information is not in the public domain), except that each of the Investors may disclose such proprietary or confidential information to any partner, subsidiary or parent of it for the purpose of evaluating its investment in the Company as long as such partner, subsidiary or parent is advised of the confidentiality provisions of this Section 3.9 and agrees to comply with this Section 3.9.

3.10 Reservation of Common Stock. The Company will at all times reserve and keep available, solely for issuance and delivery upon the conversion of the Shares, all Common Stock issuable from time to time upon such conversion.

3.11 Negative Covenants of the Company.

(a) Without limiting any other covenants and provisions hereof, the Company covenants and agrees that it shall comply with each of the provisions of this Section 3.11(a) until the consummation of the Initial Offering unless failure to comply with any such covenant is waived by at least a majority of the then outstanding shares of Series A Preferred Stock, voting as a separate class:

(i) The Company shall not redeem, purchase or otherwise acquire for value (or pay into or set aside for a sinking fund for such purpose) or declare and pay or set aside funds for the payment of any dividend with respect to, any share or shares of capital stock, purchase, redeem, retire, or otherwise acquire for value any of its capital stock (or rights, options or warrants to purchase capital stock) now or hereafter outstanding, return any capital to its stockholders as such, or make any distribution of assets to its stockholders as such.

(ii) The Company shall not authorize or issue, or obligate itself to authorize or issue, (A) additional shares of Series A Preferred Stock or Series C Preferred Stock, (B) any new class or series of stock, or any other securities convertible into equity securities of the Company, ranking on parity with or senior to the Series A Preferred Stock and Series C Preferred Stock in right of redemption, liquidation preference, dividends, or right of voting; or (C) any shares of Common Stock (or rights, options or warrants to purchase Common Stock) if such issuance (or exercise of such right, option or warrant) would result in the Company having more than 18,000 shares of Common Stock issued and outstanding (such number to be adjusted in respect of any stock split, stock dividend, combination, recapitalization or the like).

(iii) The Company shall not amend, restate, modify or alter the rights, preferences and privileges of the Series A Preferred Stock or Series C Preferred Stock.

(iv) The Company shall not merge or consolidate with any other corporation, or sell, assign, license, lease or otherwise dispose of or voluntarily part with the control of (whether in one transaction or in a series of transactions) all, or any significant portion, of its assets (whether now owned or hereinafter acquired), including without limitation sales of the Company's intellectual property and technology, or consent to any liquidation, dissolution or winding up of the Company, or effect any transaction or series of transactions in which the holders of the Company's voting interests prior to such transaction or series of transactions hold less than 50% of the voting interests of the Company following such transaction or series of transactions.

(v) The Company shall not increase or decrease the number of directors constituting the Company's Board of Directors.

(vi) The Company shall not amend, restate, modify or alter the bylaws or the Certificate of Incorporation of the Company in a manner which adversely affects the rights and preferences of the holders of the Series A Preferred Stock and Series C Preferred Stock.

(vii) The Company shall not enter into any transaction or amend any existing agreement with any officer or director of the Company or holder of any shares of capital stock of the Company, or any member of their respective immediate families or any corporation or other entity directly or indirectly controlled by one or more of such officers, directors or stockholders or members of their immediate families except for compensation arrangements approved by the Board of Directors and entered into in the ordinary course of business and consistent with past practice.

(viii) The Company shall not enter into a line of business that does not relate to its operation of a regionally accredited higher or post-secondary education business or enact material changes to its current programs or operations, unless such material changes are described in the Business Plan, or an amendment or supplement thereto, and approved by the Board of Directors.

(b) Without limiting any other covenants and provisions hereof, the Company covenants and agrees until the consummation of the Initial Offering, that unless the following action is approved by the Endeavour Directors, the Company shall not:

(i) Enter into or amend, restate, modify or alter any agreement or arrangement with any governmental authority or any contract, agreement or arrangement valued at more than \$250,000 or which obligates the Company to make aggregate expenditures in excess of \$250,000 (each, a "Material Contract");

(ii) Make, enter into or amend any contract, agreement or arrangement which obligates the Company to make, any capital expenditure in any single transaction in excess of \$250,000, or in the aggregate amount per year in excess of \$500,000;

(iii) Incur indebtedness for borrowed money (excluding trade debt, debt pursuant to revolving credit facilities approved by the Board, or other debt incurred in the ordinary course of business) in any single transaction in excess of \$250,000, or in the aggregate amount per year in excess of \$500,000;

(iv) Acquire or sell, or enter into or amend any contract, agreement or arrangement which obligates the Company to acquire or sell, any equity interest in any subsidiary;

(v) Grant, enter into or amend any contract, agreement or arrangement which obligates the Company to grant, any lien or security interest on any material asset of the Company;

(vi) Hire or terminate any officer of the Company or any other employee or consultant with gross annual compensation in excess of \$150,000 or increase the compensation of any such officer, employee or consultant in excess of that compensation customarily paid to management in companies of similar size, or similar maturity, and in similar business, all as reasonably determined by the Endeavour Directors;

(vii) Retain or terminate the Company's auditor;

(viii) Retain or terminate any accounting, legal or lobbying organization providing services to the Company;

(ix) Approve any Business Plan; or

(x) Issue any press release pertaining to any significant development with regard to the Company's operations, management or financial condition.

3.12 Termination of Covenants. All covenants of the Company contained in this Section 3 shall expire and terminate on the effective date of the registration statement pertaining to the Initial Offering.

SECTION 4 MISCELLANEOUS

4.1 Governing Law; Venue. This Agreement shall be governed by and construed under the laws of the State of Delaware (without regard to the conflicts of laws rules of such State). The parties agree and consent to the jurisdiction of the state and federal courts located in Delaware and acknowledge that such courts shall constitute proper and convenient forums for the resolution of any actions between the parties hereto with respect to the subject matter hereof, and agree that such courts shall be the sole and exclusive forums for the resolution of any actions between the parties hereto with respect to the subject matter hereof.

4.2 Successors and Assigns. Except as otherwise expressly provided herein, the provisions hereof shall inure to the benefit of, and be binding upon, the successors, assigns, heirs, executors, and administrators of the parties hereto and shall inure to the benefit of and be enforceable by each person who shall be a holder of Registrable Securities from time to time; *provided, however*, that prior to the receipt by the Company of adequate written notice of the transfer of any Registrable Securities specifying the full name and address of the transferee, the Company may deem and treat the person listed as the holder of such shares in its records as the absolute owner and holder of such shares for all purposes, including the payment of dividends or any redemption price.

4.3 Severability. If any provision of this Agreement is deemed or held to be illegal, invalid or unenforceable, this Agreement shall be considered divisible and inoperative as to such provision to the extent it is deemed to be illegal, invalid or unenforceable, and in all other respects this Agreement shall remain in full force and effect; *provided, however*, that if any provision of this Agreement is deemed or held to be illegal, invalid or unenforceable there shall be added hereto automatically a provision as similar as possible to such illegal, invalid or unenforceable provision and be legal, valid and enforceable. Further, should any provision contained in this Agreement ever be reformed or rewritten by any judicial body of competent jurisdiction, such provision as so reformed or rewritten shall be binding upon all parties hereto.

4.4 Amendment and Waiver. Any amendment, change or modification of this Agreement shall be void unless in writing and signed by all parties hereto. No failure or delay by any party hereto in exercising any right, power or privilege hereunder (and no course of dealing between or among any of the parties) shall operate as a waiver of any such right, power or privilege. No waiver of any default on any one occasion shall constitute a waiver of any subsequent or other default. No single or partial exercise of any such right, power or privilege shall preclude the further or full exercise thereof.

4.5 Delays or Omissions. It is agreed that no delay or omission to exercise any right, power, or remedy accruing to any Holder, upon any breach, default or noncompliance of the Company under this Agreement shall impair any such right, power, or remedy, nor shall it be construed to be a waiver of any such breach, default or noncompliance or any acquiescence

therein, or of any similar breach, default or noncompliance thereafter occurring. It is further agreed that any waiver, permit, consent, or approval of any kind or character on any Holder's part of any breach, default or noncompliance under the Agreement or any waiver on such Holder's part of any provisions or conditions of this Agreement must be in writing and shall be effective only to the extent specifically set forth in such writing. All remedies, either under this Agreement, by law, or otherwise afforded to Holders, shall be cumulative and not alternative.

4.6 Notices. All notices and other communications hereunder shall be in writing and shall be deemed to have been duly given when personally delivered, or three business days after deposit in the United States mail, first-class, postage prepaid and one business day after deposit with a reputable overnight courier service, or by facsimile (with proof of transmission), upon transmission, addressed to the respective parties hereto at the addresses indicated by the Company's records, or at such address or to the attention of such other person as the recipient party has specified by prior written notice to the other parties hereto.

4.7 Headings. The descriptive section headings are for convenience of reference only and shall not control or affect the meaning or construction of any provision of this Agreement.

4.8 Complete Agreement. This Agreement and the other agreements referred to herein, constitute the entire agreement between the parties hereto and supersede all prior agreements, representations, warranties, statements, promises, information, arrangements and understandings, whether oral or written, express or implied, with respect to the subject matter hereof.

4.9 Counterparts; Facsimile Copies. This Agreement may be executed in any number of counterparts, each of which shall be an original, but all of which together shall constitute one instrument. Signatures sent to the other parties by facsimile shall be binding as evidence of acceptance of the terms hereof by such signatory party.

[Signature page follows]

IN WITNESS WHEREOF, the parties hereto have executed this Investor Rights Agreement as of the date set forth in the first paragraph hereof.

COMPANY:

GRAND CANYON EDUCATION, INC.

By: /s/ Brent Richardson
Name: Brent Richardson
Its: Executive Chairman

SERIES A PREFERRED STOCKHOLDERS:

ENDEAVOUR CAPITAL FUND IV, L.P.

By: Endeavour Capital IV, LLC
Its: General Partner

By: /s/ D. Mark Dorman
Name: D. Mark Dorman
Its: Principal

ENDEAVOUR ASSOCIATES FUND IV, L.P.

By: Endeavour Capital IV, LLC
Its: General Partner

By: /s/ D. Mark Dorman
Name: D. Mark Dorman
Its: Principal

ENDEAVOUR CAPITAL PARALLEL FUND, IV, L.P.

By: Endeavour Capital IV, LLC
Its: General Partner

By: /s/ D. Mark Dorman
Name: D. Mark Dorman
Its: Principal

220 GCU, L.P.

By: 220 GCU GP, L.P
Its: General Partner

By: 220 Management, LLC
Its: General Partner

By: /s/ Charles M. Preston III
Name: Charles M. Preston III
Its: Managing Director

COMMON STOCKHOLDERS:

RICH CROW LLC

By: /s/ Brent Richardson
Name: Brent Richardson
Its: Manager

MASTERS ONLINE, LLC

By: /s/ Brent Richardson
Name: Brent Richardson
Its: Manager

220 EDUCATION, LP

By: 220 Management, LLC
Its: General Partner

By: /s/ Charles M. Preston III
Name: Charles M. Preston III
Its: Managing Director

220-SIGED, LP

By: 220 Education, LP
Its: General Partner

By: 220 Management, LLC
Its: General Partner

By: /s/ Charles M. Preston III
Name: Charles M. Preston III
Its: Managing Director

SIGNIFICANT VENTURES, LLC

By: /s/ Michael Clifford
Name: Michael Clifford
Its: Chairman

SV ONE, LP

By: SV One GP, LP
Its: General Partner

By: SV Holdings, LLC
Its: General Partner

By: /s/ Charles M. Preston III
Name: Charles M. Preston III
Its: Managing Director

CAREY FAMILY TRUST

By: /s/ Jack Carey
Name: Jack Carey
Its: Trustee

LAVACA SIGED, LLC

By: /s/ Bryan W. Lee
Name: Bryan W. Lee
Its: Manager

BLANCHARD EDUCATION, LLC

By: /s/ Thomas McKee
Name: Thomas McKee
Its: President

SPIRIT:

SPIRIT MANAGEMENT COMPANY

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

SCHEDULE A

Investors

Endeavour Capital Fund IV, L.P.
Endeavour Associates Fund IV, L.P.
Endeavour Capital Parallel Fund, IV, L.P.
220 GCU, L.P.

Common Stockholders

Rich Crow LLC
Masters Online, LLC
220 Education, LP
220-SigEd, LP
Significant Ventures, LLC
SV One, LP
Carey Family Trust
Lavaca SigEd, LLC
Blanchard Education, LLC



DLA Piper US LLP
2415 East Camelback Road, Suite 700
Phoenix, Arizona 85016-4245
www.dlapiper.com

September 29, 2008

Grand Canyon Education, Inc.
3300 W. Camelback Road
Phoenix, Arizona 85017

Re: Registration Statement on Form S-1 (File No. 333-150876)

Ladies and Gentlemen:

We have acted as counsel to Grand Canyon Education, Inc., a Delaware corporation (the “**Company**”), in connection with the proposed issuance and sale of those certain shares (the “**Shares**”) of the Company’s newly-issued common stock, par value \$0.01 per share (the “**Common Stock**”), as set forth in the Company’s Registration Statement on Form S-1 (File No. 333-150876) initially filed with the Securities and Exchange Commission (the “**SEC**”) on May 13, 2008 (as amended and supplemented from time to time, the “**Registration Statement**”) under the Securities Act of 1933, as amended (the “**Act**”). The Shares include Shares that are subject to an over-allotment option granted to the underwriters in the offering.

This opinion is being furnished in accordance with the requirements of Item 16(a) of Form S-1 and Item 601(b)(5)(i) of Regulation S-K.

In connection with this opinion, we have reviewed and relied upon the Registration Statement and related prospectus, the Company’s charter documents, as amended and restated to date, and records of its corporate proceedings in connection with the issuance and sale of the Shares. We have assumed the authenticity of all records, documents, and instruments submitted to us as originals, the genuineness of all signatures, the legal capacity of natural persons and the conformity to the originals of all records, documents, and instruments submitted to us as copies. Based on such review, we are of the opinion that the Shares have been duly authorized, and if, as, and when issued by the Company in accordance with the related prospectus (as amended and supplemented through the date of issuance) will be validly issued, fully paid, and non-assessable.

We consent to the filing of this opinion as Exhibit 5.1 to the Registration Statement and to the reference to this firm under the caption “Legal Matters” in the prospectus that is part of the Registration Statement. In giving this consent, we do not admit that we are within the category of persons whose consent is required under Section 7 of the Act, the rules and regulations of the SEC promulgated thereunder, or Item 509 of Regulation S-K.

This opinion is given to you solely for use in connection with the issuance and sale of the Shares in accordance with the Registration Statement and the related prospectus and is not to be relied on for any other purpose. Our opinion is expressly limited to the matters set forth above, and we render no opinion, whether by implication or otherwise, as to any other matters relating to the Company, the Shares, or the Registration Statement.

Very truly yours,

DLA Piper LLP (US)

/s/ DLA Piper LLP (US)

EXECUTIVE EMPLOYMENT AGREEMENT
(Executive Chairman)

This Executive Employment Agreement (the “Agreement”) is entered into on September 10, 2008, by and between Grand Canyon Education, Inc., a Delaware corporation (the “Company”), and Brent D. Richardson (“Executive”).

The parties agree as follows:

1. Employment. The Company hereby employs Executive, and Executive hereby accepts such employment, upon the terms and conditions set forth herein.

2. Duties.

2.1 Position. Executive is employed as Executive Chairman and shall have the duties and responsibilities assigned by the Company’s Board of Directors as may be reasonably assigned from time to time. Executive shall perform faithfully and diligently all duties assigned to Executive. The Company reserves the right to modify Executive’s position and duties at any time in its sole and absolute discretion, except that any material diminution in Executive’s duties shall be subject to Section 7.3(ii) below.

2.2 Board. Executive shall serve as a member and Chairman of the Board of Directors, subject to the review and recommendation of the Company’s Nominating and Corporate Governance Committee.

2.3 Best Efforts/Full-time. Executive will expend Executive’s best efforts on behalf of the Company, and will abide by all policies and decisions made by the Company, as well as all applicable federal, state and local laws, regulations or ordinances. Executive will act in the best interest of the Company at all times. Executive shall devote Executive’s full business time and efforts to the performance of Executive’s assigned duties for the Company, unless Executive notifies the Company in advance of Executive’s intent to engage in other paid work and receives the Company’s express written consent to do so. Notwithstanding the foregoing, Executive will be permitted to serve as an outside director on the board of directors for corporate, civic, nonprofit or charitable entities, so long as Executive obtains the consent of the Company and provided such entities are not competitive with the Company and subject to the provisions of section 9 below.

2.4 Work Location. Executive’s principal place of work shall be located in Phoenix, Arizona, or such other location as the Company may direct from time to time.

3. Term.

3.1 Initial Term. The employment relationship pursuant to this Agreement shall be for an initial term commencing on September 10, 2008 (the “Effective Date”) and continuing for a period of four (4) years following such date (“Initial Term”), unless sooner terminated in accordance with section 7 below.

3.2 Renewal. On expiration of the Initial Term specified in subsection 3.1 above, this Agreement will automatically renew for subsequent one (1) year terms (each a “Renewal Term”) unless either party provides thirty (30) days’ advance written notice to the

other than the Company or Executive does not wish to renew the Agreement for subsequent Renewal Term. In the event either party gives notice of nonrenewal pursuant to this subsection 3.2, this Agreement will expire at the end of the then current term. The Initial Term and each subsequent Renewal Term are referred to collectively as the "Term".

4. Compensation.

4.1 Base Salary. As compensation for Executive's performance of Executive's duties hereunder, the Company shall pay to Executive an initial Base Salary at the rate of Two-Hundred Ninety-Seven Thousand Five-Hundred Dollars (\$297,500.00) per year payable in accordance with the normal payroll practices of the Company, less required deductions for state and federal withholding tax, social security and all other employment taxes and payroll deductions. In the event Executive's employment under this Agreement is terminated by either party, for any reason, Executive will earn the Base Salary prorated to the date of termination, except as otherwise set forth herein. Executive's Base Salary shall be reviewed annually by the Compensation Committee of the Company's Board of Directors (the "Compensation Committee").

4.2 Incentive Compensation. Executive will be eligible to earn incentive compensation in the form of an annual bonus for each fiscal year of the Company as determined by the Compensation Committee. The Compensation Committee will base such determination upon both the Company's achievement of overall performance metrics for the year and Executive's achievement of individual performance metrics as agreed upon by the Compensation Committee and the Executive. Bonus amounts, if any, are to be awarded annually and payment shall be made within two and one-half months following the end of the applicable Company fiscal year.

5. Customary Fringe Benefits. Executive will be eligible for all customary and usual fringe benefits generally available to senior management of the Company, subject to the terms and conditions of the Company's benefit plan documents. The Company reserves the right to change or eliminate fringe benefits on a prospective basis, at any time, effective upon notice to Executive.

6. Business Expenses. Executive will be reimbursed for all reasonable, out-of-pocket business expenses incurred in the performance of Executive's duties on behalf of the Company. To obtain reimbursement, expenses must be submitted promptly with appropriate supporting documentation and will be reimbursed in accordance with the Company's policies. Any reimbursement Executive is entitled to receive shall (a) be paid no later than the last day of Executive's tax year following the tax year in which the expense was incurred, (b) not be affected by any other expenses that are eligible for reimbursement in any tax year, and (c) not be subject to liquidation or exchange for another benefit.

7. Termination of Executive's Employment.

7.1 Termination for Cause by Company. Although the Company anticipates a mutually rewarding employment relationship with Executive, the Company may terminate Executive's employment immediately at any time for Cause. For purposes of this Agreement, "Cause" is defined as: (a) acts or omissions constituting gross negligence, recklessness or willful misconduct on the part of Executive with respect to Executive's obligations or otherwise relating to the business of the Company; (b) Executive's material breach of this Agreement, including, without limitation, any breach of Section 8, Section 9, or Section 11; (c) Executive's

breach of the Company's Employee Nondisclosure and Assignment Agreement; (d) Executive's conviction or entry of a plea of nolo contendere for fraud, misappropriation or embezzlement, or any felony or crime of moral turpitude; (e) Executive's inability to perform the essential functions of Executive's position, with or without reasonable accommodation, due to a mental or physical disability; (f) Executive's willful neglect of duties as determined in the sole and exclusive discretion of the Board of Directors, provided that Executive has received written notice of the action or omission giving rise to such determination and has failed to remedy such situation to the satisfaction of the Board of Directors within thirty (30) days following receipt of such written notice, unless Executive's action or omission is not subject to cure, in which case no such notice shall be required, or (g) Executive's death. In the event Executive's employment is terminated in accordance with this subsection 7.1, Executive shall be entitled to receive only Executive's Base Salary then in effect, prorated to the date of termination, and all fringe benefits through the date of termination. All other Company obligations to Executive pursuant to this Agreement will be automatically terminated and completely extinguished. Executive will not be entitled to receive the Severance Package described in subsection 7.2 below. Any termination pursuant to this subsection 7.1 shall be evidenced by a resolution or written consent of the Board of Directors of the Company, and the Company shall provide Executive with a copy of such resolution or written consent, certified by the Secretary of the Company, upon Executive's written request.

7.2 Termination Without Cause by Company/Severance. The Company may terminate Executive's employment under this Agreement without Cause at any time upon written notice to Executive. In the event of such termination, Executive will receive Executive's Base Salary then in effect, prorated to the date of termination of employment. In addition, Executive will receive a "**Severance Package**" that shall include (a) a severance payment equivalent to twelve (12) months of Executive's Base Salary then in effect on the date of termination, payable in accordance with the Company's regular payroll cycle commencing with the first payroll date occurring on or after the 60th day following the date of Executive's termination of employment, and (b) payment by the Company of the premiums required to continue Executive's group health care coverage for a period of twelve (12) months following Executive's termination, under the applicable provisions of the Consolidated Omnibus Budget Reconciliation Act ("**COBRA**"), provided that Executive timely elects to continue and remains eligible for these benefits under COBRA, and does not become eligible for health coverage through another employer during this period. Executive will only receive the Severance Package if Executive: (i) complies with all surviving provisions of this Agreement as specified in subsection 14.8 below; and (ii) executes a full general release, releasing all claims, known or unknown, that Executive may have against the Company arising out of or any way related to Executive's employment or termination of employment with the Company, and such release has become effective in accordance with its terms prior to the 60th day following the termination date. All other Company obligations to Executive will be automatically terminated and completely extinguished.

7.3 Voluntary Resignation by Executive for Good Reason/Severance. Executive may voluntarily resign Executive's position with the Company for Good Reason at any time on thirty (30) days' advance written notice to the Company. In the event of Executive's resignation for Good Reason, Executive will be entitled to receive Executive's Base Salary then in effect, prorated to the date of termination of employment, and the Severance Package described in subsection 7.2 above, provided Executive complies with all of the conditions described in subsection 7.2 above. All other Company obligations to Executive pursuant to this Agreement will be automatically terminated and completely extinguished. Executive will be deemed to have resigned for Good Reason if Executive voluntarily terminates his employment

with the Company within ninety (90) days following the first occurrence of a condition constituting Good Reason. “Good Reason” means the occurrence of any of the following conditions without Executive’s written consent, which condition(s) remain(s) in effect thirty (30) days after Executive provides written notice to the Company of such condition(s): (i) a material reduction in Executive’s Base Salary as then in effect prior to such reduction, other than as part of a salary reduction program among similar management employees, (ii) a material diminution in Executive’s authority, duties or responsibilities as an employee of the Company as they existed prior to such change, or (iii) a relocation of Executive’s principal place of work which increases Executive’s one-way commute distance by more than fifty (50) miles. Executive will be deemed to have given consent to any condition(s) described in this subsection if Executive does not provide written notice to the Company of his intent to exercise his rights pursuant to this subsection within thirty (30) days following the first occurrence of such condition(s).

7.4 Voluntary Resignation by Executive Without Good Reason. Executive may voluntarily resign Executive’s position with the Company without Good Reason at any time on thirty (30) days’ advance written notice to the Company. In the event of Executive’s resignation without Good Reason, Executive will be entitled to receive only Executive’s Base Salary, prorated to the date of termination of employment, and all fringe benefits through the date of termination. All other Company obligations to Executive pursuant to this Agreement will be automatically terminated and completely extinguished. In addition, Executive will not be entitled to receive the Severance Package described in subsection 7.2 above.

7.5 Termination After a Change in Control.

(a) Severance Payment; Option Vesting Acceleration. If, upon or within twelve (12) months after a Change in Control (as that term is defined below), Executive’s employment is terminated by the Company other than for Cause (as defined in subsection 7.1 above) or Executive resigns for Good Reason (as defined in subsection 7.3 above), then (i) Executive shall be entitled to receive (A) Executive’s Base Salary, prorated to the date of termination of employment, and (B) the Severance Package described in subsection 7.2 above, provided Executive complies with all of the conditions described in subsection 7.2 above, and (ii) to the extent not yet vested, any stock options or equity grants granted to Executive by the Company shall vest in full as of the date of such termination of employment, provided Executive complies with the conditions described in subsection 7.2 above.

(b) Parachute Payments. If, due to the benefits provided under subsection 7.5(a) and any other payments or benefits, Executive would be subject to any excise tax pursuant to Section 4999 of the Internal Revenue Code of 1986, as amended (the “Code”) due to characterization of any such amounts as excess parachute payments pursuant to Section 280G of the Code, the amounts payable under subsection 7.5(a) will be reduced (to the least extent possible) in order to avoid any “excess parachute payment” under Section 280G(b)(1) of the Code.

(c) Change in Control. A Change in Control is defined as any one of the following occurrences:

(i) Any “person” (as such term is used in Sections 13(d) and 14(d) of the Securities Exchange Act of 1934 (the “Exchange Act”)), becomes the “beneficial owner” (as such term is defined in Rule 13d-3 promulgated under the Exchange Act), directly or indirectly, of securities of the Company representing more than fifty percent (50%) of the total fair market value or total combined voting power of the Company’s then-outstanding securities

entitled to vote generally in the election of directors; provided, however, that a Change in Control shall not be deemed to have occurred if such degree of beneficial ownership results from any of the following: (A) an acquisition of securities by any person who on the Effective Date is the beneficial owner of more than fifty percent (50%) of such voting power, (B) any acquisition of securities directly from the Company, including, without limitation, pursuant to or in connection with a public offering of securities, (C) any acquisition of securities by the Company, (D) any acquisition of securities by a trustee or other fiduciary under an employee benefit plan of the Company, or (E) any acquisition of securities by an entity owned directly or indirectly by the stockholders of the Company in substantially the same proportions as their ownership of the voting securities of the Company; or

(ii) the sale or disposition of all or substantially all of the Company's assets (other than a sale or disposition to one or more subsidiaries of the Company), or any transaction having similar effect is consummated; or

(iii) the Company is party to a merger or consolidation that results in the holders of voting securities of the Company outstanding immediately prior thereto failing to continue to represent (either by remaining outstanding or by being converted into voting securities of the surviving entity) more than 50% of the combined voting power of the voting securities of the Company or such surviving entity outstanding immediately after such merger or consolidation; or

(iv) the dissolution or liquidation of the Company.

7.6 Termination of Employment Upon Nonrenewal. In the event either party decides not to renew this Agreement for a subsequent term in accordance with subsection 3.2 above, this Agreement will expire, Executive's employment with the Company will terminate and Executive will only be entitled to Executive's Base Salary then in effect paid through the last day of the then current term. All other Company obligations to Executive pursuant to this Agreement will be automatically terminated and completely extinguished. Executive will not be entitled to receive the Severance Package described in subsection 7.2 above, but shall be subject to the surviving provisions of this Agreement as set forth in section 14.8 below.

7.7 Resignation of Board or Other Positions. Executive agrees that should Executive's employment terminate for any reason, Executive will immediately resign all other positions (including board membership) Executive may hold on behalf of the Company.

7.8 Application of Section 409A.

(a) Notwithstanding anything set forth in this Agreement to the contrary, no amount payable pursuant to this Agreement on account of Executive's termination of employment with the Company which constitutes a "deferral of compensation" within the meaning of the Treasury Regulations issued pursuant to Section 409A of the Code (the "Section 409A Regulations") shall be paid unless and until Executive has incurred a "separation from service" within the meaning of the Section 409A Regulations. Furthermore, if Executive is a "specified employee" within the meaning of the Section 409A Regulations as of the date of Executive's separation from service, no amount that constitutes a deferral of compensation which is payable on account of Executive's separation from service shall be paid to Executive before the date (the "Delayed Payment Date") which is first day of the seventh month after the date of Executive's separation from service or, if earlier, the date of Executive's death following such separation from service. All such amounts that would, but for this subsection, become

payable prior to the Delayed Payment Date will be accumulated and paid on the Delayed Payment Date.

(b) The Company intends that income provided to Executive pursuant to this Agreement will not be subject to taxation under Section 409A of the Code. The provisions of this Agreement shall be interpreted and construed in favor of satisfying any applicable requirements of Section 409A of the Code. **However, the Company does not guarantee any particular tax effect for income provided to Executive pursuant to this Agreement.** In any event, except for the Company's responsibility to withhold applicable income and employment taxes from compensation paid or provided to Executive, the Company shall not be responsible for the payment of any applicable taxes incurred by Executive on compensation paid or provided to Executive pursuant to this Agreement.

8. **No Violation of Rights of Third Parties.** Executive represents and warrants to the Company that Executive is not currently a party, and will not become a party, to any other agreement that is in conflict with, or will prevent Executive from complying with, with this Agreement. Executive further represents and warrants to the Company that Executive's performance of all of the terms of this Agreement as an employee of the Company does not and will not breach any agreement to keep in confidence any proprietary information, knowledge, or data acquired by Executive in confidence or trust prior to Executive's employment with the Company. Executive acknowledges and agrees that the representations and warranties in this Section 8 are a material part of this Agreement.

9. **Other Covenants.** Executive hereby makes the following covenants, each of which Executive acknowledges and agrees are a material part of this Agreement:

9.1 During the Term of Executive's employment with the Company, Executive will not (a) breach any agreement to keep in confidence any confidential or proprietary information, knowledge or data acquired by Executive prior to Executive's employment with Company, or (b) disclose to the Company, or use or induce the Company to use, any confidential or proprietary information or material belonging to any previous employer or any other third party. Executive acknowledges that the Company has specifically instructed Executive not to breach any such agreement or make any such disclosures to the Company.

9.2 During the Term of Executive's employment with the Company, Executive will not engage in any work or activity, paid or unpaid, that creates an actual conflict of interest with the Company. Such work shall include, but is not limited to, directly or indirectly competing with the Company in any way, or acting as an officer, director, employee, consultant, stockholder, volunteer, lender, or agent of any business enterprise of the same nature as, or which is in direct competition with, the business in which the Company is now engaged or in which the Company becomes engaged during the term of Executive's employment with the Company, as may be determined by the Company in its sole discretion. If the Company believes such a conflict exists during the term of this Agreement, the Company may ask Executive to choose to discontinue the other work or activity or resign employment with the Company.

9.3 During the Term of Executive's employment with the Company and after the termination thereof, neither Executive nor the Company will disparage each other, or the Company's products, services, agents or employees.

9.4 During the Term of Executive's employment with the Company and after the termination thereof, at the Company's expense and upon its reasonable request, Executive will cooperate and assist the Company in its defense or prosecution of any disputes, differences, grievances, claims, charges, or complaints between the Company and any third party, which assistance will include testifying on the Company's behalf in connection with any such matter or performing any other task reasonably requested by the Company in connection therewith.

10. Confidentiality and Proprietary Rights. Executive agrees to read, sign and abide by the Company's Employee Nondisclosure and Assignment Agreement, which is provided with this Agreement and incorporated herein by reference.

11. Non-Competition; Nonsolicitation of Company's Employees. Executive acknowledges that in the course of his employment with the Company he will serve as a member of the Company's senior management and will become familiar with the Company's trade secrets and with other confidential and proprietary information and that his services will be of special, unique and extraordinary value to the Company. Executive further acknowledges that the Company's business, a substantial portion of which is conducted online, is national in scope and that the Company, in the course of such business, recruits students and faculty throughout the United States, works with vendors throughout the United States, and competes with other companies located throughout the United States. Therefore, in consideration of the foregoing, Executive agrees that, during the Term, and during the twelve-month (12) month period following the Term, he shall not directly or indirectly anywhere within the United States of America (a) own (except ownership of less than 1% of any class of securities which are listed for trading on any securities exchange or which are traded in the over-the-counter market), manage, control, participate in, consult with, render services for, be employed by, or in any manner engage in the operation of (i) a for-profit, post-secondary education institution, or (ii) any other business of the Company in which Executive had significant involvement prior to Executive's separation; (b) solicit funds on behalf of, or for the benefit of, any for-profit, post-secondary education institution (other than the Company) or any other entity that competes with the Company; (c) solicit individuals who are current or prospective students of the Company to be students for any other for-profit, post-secondary education institution; (d) induce or attempt to induce any employee of the Company to leave the employ of the Company, or in any way interfere with the relationship between the Company and any employee thereof, or (e) induce or attempt to induce any student, customer, supplier, licensee or other business relation of the Company to cease doing business with, or modify its business relationship with, the Company, or in any way interfere with or hinder the relationship between any such student, customer, supplier, licensee or business relation and the Company.

12. Injunctive Relief. Executive acknowledges that Executive's breach of the covenants contained in sections 9-11 hereof (collectively "Covenants") would cause irreparable injury to the Company and agrees that in the event of any such breach, the Company shall be entitled to seek temporary, preliminary and permanent injunctive relief without the necessity of proving actual damages or posting any bond or other security in addition to any other relief to which the Company may be entitled and other remedies Company may exercise under this Agreement or otherwise.

13. Insurance; Indemnification.

13.1 During the Term of Executive's employment hereunder, Executive will be covered by the Company's director and officer insurance policy to the same extent as all other senior executive officers of the Company

13.2 Following the execution of this Agreement, the Company will execute and deliver a director and officer indemnification agreement with Executive in a form approved by the Board of Directors for the senior executive officers of the Company.

14. General Provisions.

14.1 Successors and Assigns. The rights and obligations of the Company under this Agreement shall inure to the benefit of and shall be binding upon the successors and assigns of the Company. Executive shall not be entitled to assign any of Executive's rights or obligations under this Agreement.

14.2 Waiver. Either party's failure to enforce any provision of this Agreement shall not in any way be construed as a waiver of any such provision, or prevent that party thereafter from enforcing each and every other provision of this Agreement.

14.3 Attorneys' Fees. In the event of a dispute involving the interpretation or enforcement of this Agreement, a court shall award attorneys' fees and costs to the prevailing party.

14.4 Severability. In the event any provision of this Agreement is found to be unenforceable by a court of competent jurisdiction, such provision shall be deemed modified to the extent necessary to allow enforceability of the provision as so limited, it being intended that the parties shall receive the benefit contemplated herein to the fullest extent permitted by law. If a deemed modification is not satisfactory in the judgment of such court, the unenforceable provision shall be deemed deleted, and the validity and enforceability of the remaining provisions shall not be affected thereby.

14.5 Interpretation; Construction. The headings set forth in this Agreement are for convenience only and shall not be used in interpreting this Agreement. This Agreement has been drafted by legal counsel representing the Company, but Executive has participated in the negotiation of its terms. Furthermore, Executive acknowledges that Executive has had an opportunity to review and revise the Agreement and have it reviewed by legal counsel, if desired, and, therefore, the normal rule of construction to the effect that any ambiguities are to be resolved against the drafting party shall not be employed in the interpretation of this Agreement.

14.6 Governing Law; Forum. This Agreement will be governed by and construed in accordance with the laws of the United States and the State of Arizona . Each party consents to the jurisdiction and venue of the state or federal courts in Phoenix, Arizona, if applicable, in any action, suit, or proceeding arising out of or relating to this Agreement, and agrees that the state or federal courts in Phoenix, Arizona shall have exclusive jurisdiction over any dispute arising between the parties related to this Agreement or Executive's employment with the Company.

14.7 Notices. Any notice required or permitted by this Agreement shall be in writing and shall be delivered as follows with notice deemed given as indicated: (a) by personal delivery when delivered personally; (b) by overnight courier upon written verification of receipt; (c) by telecopy or facsimile transmission upon acknowledgment of receipt of electronic transmission; or (d) by certified or registered mail, return receipt requested, upon verification of receipt. Notice shall be sent to the addresses set forth under the signatures below, or such other address as either party may specify in writing.

14.8 Survival. Sections 9 (“Other Covenants”), 10 (“Confidentiality and Proprietary Rights”), 11 (“Non-Competition; Nonsolicitation”), 12 (“Injunctive Relief”), 13 (“Insurance; Indemnification”), 14 (“General Provisions”) and 15 (“Entire Agreement”) of this Agreement shall survive termination of Executive’s employment with the Company.

15. Entire Agreement. This Agreement, including the Employee Nondisclosure and Assignment Agreement incorporated herein by reference, constitutes the entire agreement between the parties relating to this subject matter and supersedes all prior or simultaneous representations, discussions, negotiations, and agreements, whether written or oral. This agreement may be amended or modified only with the written consent of Executive and the Board. No oral waiver, amendment or modification will be effective under any circumstances whatsoever.

THE PARTIES TO THIS AGREEMENT HAVE READ THE FOREGOING AGREEMENT AND FULLY UNDERSTAND EACH AND EVERY PROVISION CONTAINED HEREIN. WHEREFORE, THE PARTIES HAVE EXECUTED THIS AGREEMENT ON THE DATES SHOWN BELOW.

BRENT D. RICHARDSON

Dated: September 10, 2008

By: /s/ Brent D. Richardson
Address: _____

GRAND CANYON EDUCATION, INC.

Dated: September 10, 2008

By /s/ Brian E. Mueller
Name: Brian E. Mueller
Title: Chief Executive Officer

Address: 3300 West Camelback Road
Phoenix, Arizona 85017

EXECUTIVE EMPLOYMENT AGREEMENT
(General Counsel)

This Executive Employment Agreement (the "Agreement") is entered into on September 10, 2008, by and between Grand Canyon Education, Inc., a Delaware corporation (the "Company"), and Christopher C. Richardson ("Executive").

The parties agree as follows:

1. Employment. The Company hereby employs Executive, and Executive hereby accepts such employment, upon the terms and conditions set forth herein.

2. Duties.

2.1 Position. Executive is employed as General Counsel and Secretary and shall have the duties and responsibilities assigned by the Company's Executive Chairman or Chief Executive Officer as may be reasonably assigned from time to time. Executive shall perform faithfully and diligently all duties assigned to Executive. The Company reserves the right to modify Executive's position and duties at any time in its sole and absolute discretion, except that any material diminution in Executive's duties shall be subject to Section 7.3(ii) below.

2.2 Board. Executive shall serve as a member of the Board of Directors, subject to the review and recommendation of the Company's Nominating and Corporate Governance Committee.

2.3 Best Efforts/Full-time. Executive will expend Executive's best efforts on behalf of the Company, and will abide by all policies and decisions made by the Company, as well as all applicable federal, state and local laws, regulations or ordinances. Executive will act in the best interest of the Company at all times. Executive shall devote Executive's full business time and efforts to the performance of Executive's assigned duties for the Company, unless Executive notifies the Company in advance of Executive's intent to engage in other paid work and receives the Company's express written consent to do so. Notwithstanding the foregoing, Executive will be permitted to serve as an outside director on the board of directors for corporate, civic, nonprofit or charitable entities, so long as Executive obtains the consent of the Company and provided such entities are not competitive with the Company and subject to the provisions of section 9 below.

2.4 Work Location. Executive's principal place of work shall be located in Phoenix, Arizona, or such other location as the Company may direct from time to time.

3. Term.

3.1 Initial Term. The employment relationship pursuant to this Agreement shall be for an initial term commencing on September 10, 2008 (the "Effective Date") and continuing for a period of four (4) years following such date ("Initial Term"), unless sooner terminated in accordance with section 7 below.

3.2 Renewal. On expiration of the Initial Term specified in subsection 3.1 above, this Agreement will automatically renew for subsequent one (1) year terms (each a

“Renewal Term”) unless either party provides thirty (30) days’ advance written notice to the other that the Company or Executive does not wish to renew the Agreement for subsequent Renewal Term. In the event either party gives notice of nonrenewal pursuant to this subsection 3.2, this Agreement will expire at the end of the then current term. The Initial Term and each subsequent Renewal Term are referred to collectively as the “Term”.

4. Compensation.

4.1 Base Salary. As compensation for Executive’s performance of Executive’s duties hereunder, the Company shall pay to Executive an initial Base Salary at the rate of Two-Hundred Ninety-Seven Thousand Five-Hundred Dollars (\$297,500.00) per year payable in accordance with the normal payroll practices of the Company, less required deductions for state and federal withholding tax, social security and all other employment taxes and payroll deductions. In the event Executive’s employment under this Agreement is terminated by either party, for any reason, Executive will earn the Base Salary prorated to the date of termination, except as otherwise set forth herein. Executive’s Base Salary shall be reviewed annually by the Compensation Committee of the Company’s Board of Directors (the “Compensation Committee”).

4.2 Incentive Compensation. Executive will be eligible to earn incentive compensation in the form of an annual bonus for each fiscal year of the Company as determined by the Compensation Committee. The Compensation Committee will base such determination upon both the Company’s achievement of overall performance metrics for the year and Executive’s achievement of individual performance metrics as agreed upon by the Compensation Committee and the Executive. Bonus amounts, if any, are to be awarded annually and payment shall be made within two and one-half months following the end of the applicable Company fiscal year.

5. Customary Fringe Benefits. Executive will be eligible for all customary and usual fringe benefits generally available to senior management of the Company, subject to the terms and conditions of the Company’s benefit plan documents. The Company reserves the right to change or eliminate fringe benefits on a prospective basis, at any time, effective upon notice to Executive.

6. Business Expenses. Executive will be reimbursed for all reasonable, out-of-pocket business expenses incurred in the performance of Executive’s duties on behalf of the Company. To obtain reimbursement, expenses must be submitted promptly with appropriate supporting documentation and will be reimbursed in accordance with the Company’s policies. Any reimbursement Executive is entitled to receive shall (a) be paid no later than the last day of Executive’s tax year following the tax year in which the expense was incurred, (b) not be affected by any other expenses that are eligible for reimbursement in any tax year, and (c) not be subject to liquidation or exchange for another benefit.

7. Termination of Executive’s Employment.

7.1 Termination for Cause by Company. Although the Company anticipates a mutually rewarding employment relationship with Executive, the Company may terminate Executive’s employment immediately at any time for Cause. For purposes of this Agreement, “Cause” is defined as: (a) acts or omissions constituting gross negligence, recklessness or willful misconduct on the part of Executive with respect to Executive’s obligations or otherwise relating to the business of the Company; (b) Executive’s material breach of this Agreement,

including, without limitation, any breach of Section 8, Section 9, or Section 11; (c) Executive's breach of the Company's Employee Nondisclosure and Assignment Agreement; (d) Executive's conviction or entry of a plea of nolo contendere for fraud, misappropriation or embezzlement, or any felony or crime of moral turpitude; (e) Executive's inability to perform the essential functions of Executive's position, with or without reasonable accommodation, due to a mental or physical disability; (f) Executive's willful neglect of duties as determined in the sole and exclusive discretion of the Board of Directors, provided that Executive has received written notice of the action or omission giving rise to such determination and has failed to remedy such situation to the satisfaction of the Board of Directors within thirty (30) days following receipt of such written notice, unless Executive's action or omission is not subject to cure, in which case no such notice shall be required, or (g) Executive's death. In the event Executive's employment is terminated in accordance with this subsection 7.1, Executive shall be entitled to receive only Executive's Base Salary then in effect, prorated to the date of termination, and all fringe benefits through the date of termination. All other Company obligations to Executive pursuant to this Agreement will be automatically terminated and completely extinguished. Executive will not be entitled to receive the Severance Package described in subsection 7.2 below. Any termination pursuant to this subsection 7.1 shall be evidenced by a resolution or written consent of the Board of Directors of the Company, and the Company shall provide Executive with a copy of such resolution or written consent, certified by the Secretary of the Company, upon Executive's written request.

7.2 Termination Without Cause by Company/Severance. The Company may terminate Executive's employment under this Agreement without Cause at any time upon written notice to Executive. In the event of such termination, Executive will receive Executive's Base Salary then in effect, prorated to the date of termination of employment. In addition, Executive will receive a "**Severance Package**" that shall include (a) a severance payment equivalent to twelve (12) months of Executive's Base Salary then in effect on the date of termination, payable in accordance with the Company's regular payroll cycle commencing with the first payroll date occurring on or after the 60th day following the date of Executive's termination of employment, and (b) payment by the Company of the premiums required to continue Executive's group health care coverage for a period of twelve (12) months following Executive's termination, under the applicable provisions of the Consolidated Omnibus Budget Reconciliation Act ("**COBRA**"), provided that Executive timely elects to continue and remains eligible for these benefits under COBRA, and does not become eligible for health coverage through another employer during this period. Executive will only receive the Severance Package if Executive: (i) complies with all surviving provisions of this Agreement as specified in subsection 14.8 below; and (ii) executes a full general release, releasing all claims, known or unknown, that Executive may have against the Company arising out of or any way related to Executive's employment or termination of employment with the Company, and such release has become effective in accordance with its terms prior to the 60th day following the termination date. All other Company obligations to Executive will be automatically terminated and completely extinguished.

7.3 Voluntary Resignation by Executive for Good Reason/Severance. Executive may voluntarily resign Executive's position with the Company for Good Reason at any time on thirty (30) days' advance written notice to the Company. In the event of Executive's resignation for Good Reason, Executive will be entitled to receive Executive's Base Salary then in effect, prorated to the date of termination of employment, and the Severance Package described in subsection 7.2 above, provided Executive complies with all of the conditions described in subsection 7.2 above. All other Company obligations to Executive pursuant to this Agreement will be automatically terminated and completely extinguished. Executive will be

deemed to have resigned for Good Reason if Executive voluntarily terminates his employment with the Company within ninety (90) days following the first occurrence of a condition constituting Good Reason. “Good Reason” means the occurrence of any of the following conditions without Executive’s written consent, which condition(s) remain(s) in effect thirty (30) days after Executive provides written notice to the Company of such condition(s): (i) a material reduction in Executive’s Base Salary as then in effect prior to such reduction, other than as part of a salary reduction program among similar management employees, (ii) a material diminution in Executive’s authority, duties or responsibilities as an employee of the Company as they existed prior to such change, or (iii) a relocation of Executive’s principal place of work which increases Executive’s one-way commute distance by more than fifty (50) miles. Executive will be deemed to have given consent to any condition(s) described in this subsection if Executive does not provide written notice to the Company of his intent to exercise his rights pursuant to this subsection within thirty (30) days following the first occurrence of such condition(s).

7.4 Voluntary Resignation by Executive Without Good Reason. Executive may voluntarily resign Executive’s position with the Company without Good Reason at any time on thirty (30) days’ advance written notice to the Company. In the event of Executive’s resignation without Good Reason, Executive will be entitled to receive only Executive’s Base Salary, prorated to the date of termination of employment, and all fringe benefits through the date of termination. All other Company obligations to Executive pursuant to this Agreement will be automatically terminated and completely extinguished. In addition, Executive will not be entitled to receive the Severance Package described in subsection 7.2 above.

7.5 Termination After a Change in Control.

(a) Severance Payment; Option Vesting Acceleration. If, upon or within twelve (12) months after a Change in Control (as that term is defined below), Executive’s employment is terminated by the Company other than for Cause (as defined in subsection 7.1 above) or Executive resigns for Good Reason (as defined in subsection 7.3 above), then (i) Executive shall be entitled to receive (A) Executive’s Base Salary, prorated to the date of termination of employment, and (B) the Severance Package described in subsection 7.2 above, provided Executive complies with all of the conditions described in subsection 7.2 above, and (ii) to the extent not yet vested, any stock options or other equity grants granted to Executive by the Company shall vest in full as of the date of such termination of employment, provided Executive complies with the conditions described in subsection 7.2 above.

(b) Parachute Payments. If, due to the benefits provided under subsection 7.5(a) and any other payments or benefits, Executive would be subject to any excise tax pursuant to Section 4999 of the Internal Revenue Code of 1986, as amended (the “Code”) due to characterization of any such amounts as excess parachute payments pursuant to Section 280G of the Code, the amounts payable under subsection 7.5(a) will be reduced (to the least extent possible) in order to avoid any “excess parachute payment” under Section 280G(b)(1) of the Code.

(c) Change in Control. A Change in Control is defined as any one of the following occurrences:

(i) Any “person” (as such term is used in Sections 13(d) and 14(d) of the Securities Exchange Act of 1934 (the “Exchange Act”)), becomes the “beneficial owner” (as such term is defined in Rule 13d-3 promulgated under the Exchange Act), directly or indirectly, of securities of the Company representing more than fifty percent (50%) of the total

fair market value or total combined voting power of the Company's then-outstanding securities entitled to vote generally in the election of directors; provided, however, that a Change in Control shall not be deemed to have occurred if such degree of beneficial ownership results from any of the following: (A) an acquisition of securities by any person who on the Effective Date is the beneficial owner of more than fifty percent (50%) of such voting power, (B) any acquisition of securities directly from the Company, including, without limitation, pursuant to or in connection with a public offering of securities, (C) any acquisition of securities by the Company, (D) any acquisition of securities by a trustee or other fiduciary under an employee benefit plan of the Company, or (E) any acquisition of securities by an entity owned directly or indirectly by the stockholders of the Company in substantially the same proportions as their ownership of the voting securities of the Company; or

(ii) the sale or disposition of all or substantially all of the Company's assets (other than a sale or disposition to one or more subsidiaries of the Company), or any transaction having similar effect is consummated; or

(iii) the Company is party to a merger or consolidation that results in the holders of voting securities of the Company outstanding immediately prior thereto failing to continue to represent (either by remaining outstanding or by being converted into voting securities of the surviving entity) more than 50% of the combined voting power of the voting securities of the Company or such surviving entity outstanding immediately after such merger or consolidation; or

(iv) the dissolution or liquidation of the Company.

7.6 Termination of Employment Upon Nonrenewal. In the event either party decides not to renew this Agreement for a subsequent term in accordance with subsection 3.2 above, this Agreement will expire, Executive's employment with the Company will terminate and Executive will only be entitled to Executive's Base Salary then in effect paid through the last day of the then current term. All other Company obligations to Executive pursuant to this Agreement will be automatically terminated and completely extinguished. Executive will not be entitled to receive the Severance Package described in subsection 7.2 above, but shall be subject to the surviving provisions of this Agreement as set forth in section 14.8 below.

7.7 Resignation of Board or Other Positions. Executive agrees that should Executive's employment terminate for any reason, Executive will immediately resign all other positions (including board membership) Executive may hold on behalf of the Company.

7.8 Application of Section 409A.

(a) Notwithstanding anything set forth in this Agreement to the contrary, no amount payable pursuant to this Agreement on account of Executive's termination of employment with the Company which constitutes a "deferral of compensation" within the meaning of the Treasury Regulations issued pursuant to Section 409A of the Code (the "Section 409A Regulations") shall be paid unless and until Executive has incurred a "separation from service" within the meaning of the Section 409A Regulations. Furthermore, if Executive is a "specified employee" within the meaning of the Section 409A Regulations as of the date of Executive's separation from service, no amount that constitutes a deferral of compensation which is payable on account of Executive's separation from service shall be paid to Executive before the date (the "Delayed Payment Date") which is first day of the seventh month after the date of Executive's separation from service or, if earlier, the date of Executive's death following

such separation from service. All such amounts that would, but for this subsection, become payable prior to the Delayed Payment Date will be accumulated and paid on the Delayed Payment Date.

(b) The Company intends that income provided to Executive pursuant to this Agreement will not be subject to taxation under Section 409A of the Code. The provisions of this Agreement shall be interpreted and construed in favor of satisfying any applicable requirements of Section 409A of the Code. **However, the Company does not guarantee any particular tax effect for income provided to Executive pursuant to this Agreement.** In any event, except for the Company's responsibility to withhold applicable income and employment taxes from compensation paid or provided to Executive, the Company shall not be responsible for the payment of any applicable taxes incurred by Executive on compensation paid or provided to Executive pursuant to this Agreement.

8. **No Violation of Rights of Third Parties.** Executive represents and warrants to the Company that Executive is not currently a party, and will not become a party, to any other agreement that is in conflict with, or will prevent Executive from complying with, with this Agreement. Executive further represents and warrants to the Company that Executive's performance of all of the terms of this Agreement as an employee of the Company does not and will not breach any agreement to keep in confidence any proprietary information, knowledge, or data acquired by Executive in confidence or trust prior to Executive's employment with the Company. Executive acknowledges and agrees that the representations and warranties in this Section 8 are a material part of this Agreement.

9. **Other Covenants.** Executive hereby makes the following covenants, each of which Executive acknowledges and agrees are a material part of this Agreement:

9.1 During the Term of Executive's employment with the Company, Executive will not (a) breach any agreement to keep in confidence any confidential or proprietary information, knowledge or data acquired by Executive prior to Executive's employment with Company, or (b) disclose to the Company, or use or induce the Company to use, any confidential or proprietary information or material belonging to any previous employer or any other third party. Executive acknowledges that the Company has specifically instructed Executive not to breach any such agreement or make any such disclosures to the Company.

9.2 During the Term of Executive's employment with the Company, Executive will not engage in any work or activity, paid or unpaid, that creates an actual conflict of interest with the Company. Such work shall include, but is not limited to, directly or indirectly competing with the Company in any way, or acting as an officer, director, employee, consultant, stockholder, volunteer, lender, or agent of any business enterprise of the same nature as, or which is in direct competition with, the business in which the Company is now engaged or in which the Company becomes engaged during the term of Executive's employment with the Company, as may be determined by the Company in its sole discretion. If the Company believes such a conflict exists during the term of this Agreement, the Company may ask Executive to choose to discontinue the other work or activity or resign employment with the Company.

9.3 During the Term of Executive's employment with the Company and after the termination thereof, neither Executive nor the Company will disparage each other, or the Company's products, services, agents or employees.

9.4 During the Term of Executive's employment with the Company and after the termination thereof, at the Company's expense and upon its reasonable request, Executive will cooperate and assist the Company in its defense or prosecution of any disputes, differences, grievances, claims, charges, or complaints between the Company and any third party, which assistance will include testifying on the Company's behalf in connection with any such matter or performing any other task reasonably requested by the Company in connection therewith.

10. Confidentiality and Proprietary Rights. Executive agrees to read, sign and abide by the Company's Employee Nondisclosure and Assignment Agreement, which is provided with this Agreement and incorporated herein by reference.

11. Non-Competition; Nonsolicitation of Company's Employees. Executive acknowledges that in the course of his employment with the Company he will serve as a member of the Company's senior management and will become familiar with the Company's trade secrets and with other confidential and proprietary information and that his services will be of special, unique and extraordinary value to the Company. Executive further acknowledges that the Company's business, a substantial portion of which is conducted online, is national in scope and that the Company, in the course of such business, recruits students and faculty throughout the United States, works with vendors throughout the United States, and competes with other companies located throughout the United States. Therefore, in consideration of the foregoing, Executive agrees that, during the Term, and during the twelve-month (12) month period following the Term, he shall not directly or indirectly anywhere within the United States of America (a) own (except ownership of less than 1% of any class of securities which are listed for trading on any securities exchange or which are traded in the over-the-counter market), manage, control, participate in, consult with, render services for, be employed by, or in any manner engage in the operation of (i) a for-profit, post-secondary education institution, or (ii) any other business of the Company in which Executive had significant involvement prior to Executive's separation; (b) solicit funds on behalf of, or for the benefit of, any for-profit, post-secondary education institution (other than the Company) or any other entity that competes with the Company; (c) solicit individuals who are current or prospective students of the Company to be students for any other for-profit, post-secondary education institution; (d) induce or attempt to induce any employee of the Company to leave the employ of the Company, or in any way interfere with the relationship between the Company and any employee thereof, or (e) induce or attempt to induce any student, customer, supplier, licensee or other business relation of the Company to cease doing business with, or modify its business relationship with, the Company, or in any way interfere with or hinder the relationship between any such student, customer, supplier, licensee or business relation and the Company.

12. Injunctive Relief. Executive acknowledges that Executive's breach of the covenants contained in sections 9-11 hereof (collectively "Covenants") would cause irreparable injury to the Company and agrees that in the event of any such breach, the Company shall be entitled to seek temporary, preliminary and permanent injunctive relief without the necessity of proving actual damages or posting any bond or other security in addition to any other relief to which the Company may be entitled and other remedies Company may exercise under this Agreement or otherwise.

13. Insurance; Indemnification.

13.1 During the Term of Executive's employment hereunder, Executive will be covered by the Company's director and officer insurance policy to the same extent as all other senior executive officers of the Company

13.2 Following the execution of this Agreement, the Company will execute and deliver a director and officer indemnification agreement with Executive in a form approved by the Board of Directors for the senior executive officers of the Company.

14. General Provisions.

14.1 Successors and Assigns. The rights and obligations of the Company under this Agreement shall inure to the benefit of and shall be binding upon the successors and assigns of the Company. Executive shall not be entitled to assign any of Executive's rights or obligations under this Agreement.

14.2 Waiver. Either party's failure to enforce any provision of this Agreement shall not in any way be construed as a waiver of any such provision, or prevent that party thereafter from enforcing each and every other provision of this Agreement.

14.3 Attorneys' Fees. In the event of a dispute involving the interpretation or enforcement of this Agreement, a court shall award attorneys' fees and costs to the prevailing party.

14.4 Severability. In the event any provision of this Agreement is found to be unenforceable by a court of competent jurisdiction, such provision shall be deemed modified to the extent necessary to allow enforceability of the provision as so limited, it being intended that the parties shall receive the benefit contemplated herein to the fullest extent permitted by law. If a deemed modification is not satisfactory in the judgment of such court, the unenforceable provision shall be deemed deleted, and the validity and enforceability of the remaining provisions shall not be affected thereby.

14.5 Interpretation; Construction. The headings set forth in this Agreement are for convenience only and shall not be used in interpreting this Agreement. This Agreement has been drafted by legal counsel representing the Company, but Executive has participated in the negotiation of its terms. Furthermore, Executive acknowledges that Executive has had an opportunity to review and revise the Agreement and have it reviewed by legal counsel, if desired, and, therefore, the normal rule of construction to the effect that any ambiguities are to be resolved against the drafting party shall not be employed in the interpretation of this Agreement.

14.6 Governing Law; Forum. This Agreement will be governed by and construed in accordance with the laws of the United States and the State of Arizona . Each party consents to the jurisdiction and venue of the state or federal courts in Phoenix, Arizona, if applicable, in any action, suit, or proceeding arising out of or relating to this Agreement, and agrees that the state or federal courts in Phoenix, Arizona shall have exclusive jurisdiction over any dispute arising between the parties related to this Agreement or Executive's employment with the Company.

14.7 Notices. Any notice required or permitted by this Agreement shall be in writing and shall be delivered as follows with notice deemed given as indicated: (a) by personal delivery when delivered personally; (b) by overnight courier upon written verification of receipt; (c) by telecopy or facsimile transmission upon acknowledgment of receipt of electronic transmission; or (d) by certified or registered mail, return receipt requested, upon verification of receipt. Notice shall be sent to the addresses set forth under the signatures below, or such other address as either party may specify in writing.

14.8 Survival. Sections 9 (“Other Covenants”), 10 (“Confidentiality and Proprietary Rights”), 11 (“Non-Competition; Nonsolicitation”), 12 (“Injunctive Relief”), 13 (“Insurance; Indemnification”), 14 (“General Provisions”) and 15 (“Entire Agreement”) of this Agreement shall survive termination of Executive's employment with the Company.

15. Entire Agreement. This Agreement, including the Employee Nondisclosure and Assignment Agreement incorporated herein by reference, constitutes the entire agreement between the parties relating to this subject matter and supersedes all prior or simultaneous representations, discussions, negotiations, and agreements, whether written or oral. This agreement may be amended or modified only with the written consent of Executive and the Board. No oral waiver, amendment or modification will be effective under any circumstances whatsoever.

THE PARTIES TO THIS AGREEMENT HAVE READ THE FOREGOING AGREEMENT AND FULLY UNDERSTAND EACH AND EVERY PROVISION CONTAINED HEREIN. WHEREFORE, THE PARTIES HAVE EXECUTED THIS AGREEMENT ON THE DATES SHOWN BELOW.

CHRISTOPHER C. RICHARDSON

Dated: September 10, 2008

By: /s/ Christopher C. Richardson
Address: _____

GRAND CANYON EDUCATION, INC.

Dated: September 10, 2008

By /s/ Brian E. Mueller
Name: Brian E. Mueller
Title: Chief Executive Officer

Address: 3300 West Camelback Road
Phoenix, Arizona 85017

**AMENDED AND RESTATED
SENIOR MANAGEMENT AGREEMENT**

This Amended and Restated Senior Management Agreement ("Agreement") is entered into September 10, 2008, between Grand Canyon Education, Inc., a Delaware corporation (the "Company"), and John Crowley ("Executive"). Terms used in this Agreement and not otherwise defined shall have the meanings set forth in Article 4 of this Agreement.

WHEREAS, the Company and Executive previously entered into an agreement to provide for the terms and conditions of Executive's at will employment with the Company;

WHEREAS, the success of the business of the Company is dependent on the goodwill established by Executive and the Company's directors, executive officers and employees with the Company's customers and the public generally; and

WHEREAS, the Company and Executive desire to amend and restate the agreement on the terms set forth in this Agreement.

NOW, THEREFORE, in consideration of the foregoing and for other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the Company and Executive hereby agree as follows:

**ARTICLE 1
EMPLOYMENT**

1.1 Employment. The Company hereby engages Executive to serve as Chief Operating Officer and Executive Vice President of the Company, and Executive agrees to serve the Company as such at the direction of the Board of Directors ("Board"), for the period beginning on the date hereof and until Separation, in the capacities, and subject to the terms and conditions, set forth in this Agreement (such period to be referred to as the "Service Term"). The Company and Executive agree that this Agreement supersedes any employment agreement previously existing between Executive and Company or any of its predecessors (including Significant Education, LLC), and such employment agreement(s) shall be deemed to terminate as of the date of this Agreement.

1.2 Services. During the Service Term, Executive shall have all of the duties and responsibilities customarily rendered by senior management of companies of similar size and nature, with similar title and responsibility and as are provided in the Company's Bylaws and/or may be delegated from time to time by the Chief Executive Officer or the Board; *provided, however*, the following actions of the Company must be approved in advance by the Board:

- (a) Acquisitions or dispositions of the assets or Capital Stock of any entity (other than inventory or transactions entered into in the ordinary course of business);
 - (b) Agreements to borrow money on behalf of the Corporation;
-

- (c) Senior management agreements or employment agreements (other than standard confidentiality and non-competition agreements with employees), including any amendments thereof;
- (d) Appointment, separation and remuneration of senior management;
- (e) Bonus or other incentive plans for senior management or other employees;
- (f) Increase the compensation of any of the Company's employees in excess of that compensation customarily paid to employees in companies of similar size, or similar maturity, and in a similar business;
- (g) Make, enter into or amend any joint venture agreement or contract, agreement or arrangement with any consultant providing for gross compensation in excess of \$50,000 over the term of the agreement;
- (h) Issuances of Capital Stock, stock options, warrants or other securities or plans or agreements relating to the same;
- (i) The establishment of annual corporate objectives;
- (j) The establishment of annual operating and capital expenditure budgets;
- (k) Enter into any agreement or arrangement with any governmental authority;
- (l) Dividends, distributions and redemptions of Capital Stock; and
- (m) All actions involving statutory corporate matters, including but not limited to, amendments to the Company's Certificate of Incorporation or Bylaws or qualifying to do business in other jurisdictions.

Executive will devote substantially all of his business time and attention (except for vacation periods and periods of illness or other incapacity) to the business of the Company. Notwithstanding the foregoing, and provided that such activities do not unreasonably interfere with the fulfillment of Executive's obligations hereunder, including the non-compete provisions below, Executive may serve as a director or trustee of any charitable or non-profit entity with the consent of the Board, acquire investment interests in one or more entities which are not, directly or indirectly, in competition with the Company or are customers or suppliers of the Company, own up to 5% of the outstanding voting securities of any publicly-held company, and from time to time, consult with other non-competing businesses (including Crowley Transportation Systems, LLC). Executive will perform his services for the Company at the Company's principal place of business in Phoenix, Arizona ("Current Location") or any other location mutually agreed by Executive and the Company. Executive will travel to such other locations as may be reasonably necessary in order to discharge his duties hereunder. In the event that the Company proposes a location for Executive to perform services hereunder that is more than fifty (50) miles from the Current Location and Executive agrees to relocate, the Company will reimburse Executive for all reasonable relocation expenses incurred by Executive, including but

not limited to moving expenses and real estate brokerage commissions. In all other events, relocation expenses shall be borne by Executive, *provided, however*, that Executive will be provided with all applicable moving and relocation benefits in accordance with the Company's policies in existence at the time of the relocations.

1.3 Salary, Bonus and Benefits. During the Service Term, the Company will pay Executive a base salary (the "Annual Base Salary") as the Board may designate from time to time, at the rate of not less than Two Hundred Ninety Seven Thousand Five Hundred Dollars (\$297,500) per annum. The Annual Base Salary shall be subject to review annually by the Board; *provided, however*, that the Annual Base Salary shall not be reduced during the Service Term. Executive will be eligible to receive performance bonuses as determined by the Board based upon the Company's achievement of performance, budgetary and other objectives set by the Board. In addition, during the Service Term, Executive will be entitled to the insurance, vacation, holidays and other benefits consistent with the Company's past practice for its employees generally and as approved by the Board.

1.4 Separation.

(a) Events of Separation. Executive's employment with the Company shall cease upon the occurrence of any of the following (a "Separation"):

(i) Executive's death.

(ii) Executive's disability, which means his incapacity due to physical or mental illness or condition such that he is unable to perform his previously assigned duties where (1) such incapacity has been determined to exist by either (x) the Company's disability insurance carrier or (y) by the concurring opinions of two licensed physicians (one selected by the Company and one by Executive), and (2) the Board has determined, based on competent medical advice, that such incapacity will continue for such period of time of at least three (3) continuous months and that it would have a material adverse effect on the Company; provided, however, that in the event Executive is insured pursuant to any disability insurance coverage maintained or paid for by the Company, any such Separation shall occur only upon eligibility of Executive to receive payment of such disability insurance benefits, subject to compliance with the terms and requirements of such disability insurance. Any such Separation for disability shall be only as expressly permitted by the Americans with Disabilities Act.

(iii) Separation by the Company upon the Board's determination, in its good faith judgment, that such separation is in the best interests of the Company. Such Separation will require delivery to Executive of a written notice from the Board that Executive has been terminated ("Notice of Separation") with or without Cause.

(iv) Executive's voluntary resignation by the delivery to the Board of a written notice from Executive that Executive has resigned with or without Good Reason.

(b) Rights on Separation.

(i) In the event that Separation is by Executive with Good Reason or a termination by the Company without Cause, the Company will continue to pay to Executive a monthly portion of the Annual Base Salary for a period equal to six (6) months commencing on the date of Separation, subject, however, to Section 1.4(c) below. In addition, the Company shall have the option, in its sole discretion, exercisable by delivering written notice to Executive within thirty (30) days after the date of Separation by Executive with Good Reason or by the Company without Cause, to pay to Executive a monthly portion of the Annual Base Salary for an additional period of six (6) months commencing on the date which is six (6) months after the date of Separation (the "Extension Severance"), in which case the Non-compete Period (as defined in Section 3.1) shall be extended as provided by Section 3.1. Executive and the Company agree that the amounts payable pursuant to this subparagraph (i) shall, for all purposes of Section 409A (as defined below), be treated as a right to a series of separate payments.

(ii) If the Company terminates Executive's employment for Cause, if Executive dies or is disabled, if Executive resigns without Good Reason or in the event of a Sale of the Company (as defined in the Stockholders Agreement), the Company's obligations to pay any compensation or benefits under this Agreement will cease effective the date of Separation. Executive's right to receive any other benefits will be determined under the provisions of applicable plans, programs or other coverages.

(iii) Notwithstanding the foregoing, the Company's obligation to Executive for severance pay or other rights under either subparagraphs (i) or (ii) above (the "Severance Pay") shall cease if Executive is in violation of the provisions of Articles 2 or 3 hereof. The Severance Pay, if any, shall be paid by the Company to Executive in equal installments payable commencing on the Company's regularly scheduled payroll date next following the date of Executive's Separation, subject, however, to Section 1.4(c) below.

(iv) Until such time as Executive has received all of his Severance Pay, he will be entitled to continue to receive the benefits to which he is entitled or is participating in accordance with the provisions of Section 1.3 of this Agreement, subject, however, to Section 1.4(c) below.

(c) Compliance with Section 409A of the Internal Revenue Code ("Section 409A"). Notwithstanding any other provision of this Agreement to the contrary, the provision, time and manner of payment or distribution of all compensation and benefits provided by this Agreement that constitute deferred compensation subject to and not exempted from the requirements of Section 409A ("Section 409A Deferred Compensation") shall be subject to, limited by and construed in accordance with the requirements of Section 409A, including the following:

(i) Payments and benefits constituting Section 409A Deferred Compensation otherwise payable or provided pursuant to Section 1.4(b) shall be paid or

provided only at or following the time that Executive has experienced a “separation from service” within the meaning of Section 409A (“Separation from Service”).

(ii) Payments and benefits constituting Section 409A Deferred Compensation to be paid or provided pursuant to Section 1.4(b) at a time when Executive is a “specified employee” within the meaning of Section 409A shall be paid or provided commencing on the later of (1) the date that is six (6) months and one (1) day after the date of Executive's Separation from Service or, if earlier, the date of death of Executive (in either case, the “Delayed Payment Date”), or (2) the date or dates on which such Section 409A Deferred Compensation would otherwise be paid or provided in accordance with Section 1.4(b). All such amounts that would, but for this subparagraph (ii), become payable prior to the Delayed Payment Date shall be accumulated and paid on the Delayed Payment Date.

(iii) To the extent that all or any portion of the Company's payment or reimbursement to Executive for the cost of the Company's obligation to provide benefits pursuant to Section 1.4(b)(iv) (the “Company-Provided Benefits”) would exceed an amount for which, or continue for a period of time in excess of which, such Company Provided Benefits would qualify for an exemption from treatment as Section 409A Deferred Compensation, the Company shall, for the duration of the applicable period, pay or reimburse Executive for the applicable Company-Provided Benefits in an amount not to exceed \$3,800 per calendar year or any portion thereof included in the applicable period. The amount of Company-Provided Benefits furnished in any taxable year of Executive shall not affect the amount of Company-Provided Benefits furnished in any other taxable year of Executive. Any right of Executive to Company-Provided Benefits shall not be subject to liquidation or exchange for another benefit. Any reimbursement for Company-Provided Benefits to which Executive is entitled shall be paid no later than the last day of Executive's taxable year following the taxable year in which Executive's expense for such Company-Provided Benefits was incurred.

ARTICLE 2

CONFIDENTIAL INFORMATION

Executive acknowledges that the information, observations and data obtained by him as an employee and owner of the Company, or during the course of his performance under this Agreement, concerning the business and affairs of the Company and its Affiliates or acquisition opportunities in or reasonably related to the Company's business or industry (“Confidential Information”) are the confidential and proprietary trade secrets and other property of the Company. Therefore, except as may be required by the lawful order of a court or agency of competent jurisdiction, Executive agrees that he will not disclose to any unauthorized Person or use for his own account any Confidential Information without the Board's written consent unless and to the extent that the aforementioned matters become generally known to and available for use by the public other than as a result of Executive's acts or omissions. Executive agrees to deliver to the Company on the date of Separation, or at any other time the Company may request in writing after the date of Separation, all memoranda, notes, plans, records, reports and other

documents (and copies thereof) relating to the business of the Company and its Affiliates, or their acquisition prospects which he may then possess or have under his control.

ARTICLE 3

NONCOMPETITION, NONSOLICITATION AND NON-DISPARAGEMENT

3.1 Noncompetition and Nonsolicitation. Executive acknowledges that in the course of his employment with the Company he will serve as a member of the Company's senior management and will become familiar with the Company's trade secrets and with other Confidential Information and that his services will be of special, unique and extraordinary value to the Company. Therefore, Executive agrees that, during the Service Term, and during the twelve (12) month period following the Service Term, or if the Company elects to pay Extension Severance, the twenty-four (24) month period following the Service Term (collectively, the "Non-compete Period"), he shall not directly or indirectly (A) own (except ownership of less than 5% of any class of securities which are listed for trading on any securities exchange or which are traded in the over-the-counter market), manage, control, participate in, consult with, render services for, or in any manner engage in the operation of a regionally accredited higher education institution or any business in which Executive had significant involvement in the Company's or any of its predecessors' business prior to Executive's Separation; (B) solicit funds on behalf of, or for the benefit of, any regionally accredited higher education institution other than the Company or any other entity that competes with the Company; (C) solicit individuals who are current or prospective students of the Company to be students for any other regionally accredited higher education institution; (D) induce or attempt to induce any employee of the Company to leave the employ of the Company, or in any way interfere with the relationship between the Company and any employee thereof, or (E) induce or attempt to induce any student, customer, supplier, licensee or other business relation of the Company to cease doing business with, or modify its business relationship with, the Company, or in any way interfere with or hinder the relationship between any such student, customer, supplier, licensee or business relation and the Company.

3.2 Non-Disparagement. Following Separation, Executive agrees not to make to any Person, including but not limited to customers of the Company, any statement that disparages the Company or which reflects negatively upon the Company or the Investors, including but not limited to statements regarding the Company's financial condition, its officers, directors, stockholders, employees and affiliates.

3.3 Enforcement. If, at the time of enforcement of Articles 2 or 3 of this Agreement, a court holds that the restrictions stated herein are unreasonable under circumstances then existing, the parties hereto agree that the maximum duration, scope or geographical area reasonable under such circumstances shall be substituted for the stated period, scope or area and that the court shall be allowed to revise the restrictions contained herein to cover the maximum duration, scope and area permitted by law. Because Executive's services are unique and because Executive has access to Confidential Information, the parties hereto agree that money damages would be an inadequate remedy for any breach of this Agreement. Therefore, in the event a breach or threatened breach of this Agreement, the Company or its successors or assigns may, in

addition to other rights and remedies existing in their favor, apply to any court of competent jurisdiction for specific performance and/or injunctive or other relief in order to enforce, or prevent any violations of, the provisions hereof (without posting a bond or other security).

ARTICLE 4

DEFINITIONS

“**Affiliate**” means any other person, entity or investment fund controlling, controlled by or under common control with the Company, including without limitation, any of its Subsidiaries.

“**Capital Stock**” shall mean all shares of all classes of the Company’s capital stock, including, without limitation, the Company’s preferred stock and common stock.

“**Cause**” shall mean:

- (1) Executive’s (i) commission of a felony or a crime involving moral turpitude, or the commission of any other willful act or omission involving dishonesty or fraud with respect to the Company or any of its customers or suppliers, or (ii) misappropriation of any funds or assets of the Company for personal use, or (iii) engaging in any conduct bringing the Company into substantial public disgrace or disrepute;
- (2) Executive’s (i) continued and repeated neglect of his duties in breach of this Agreement following notice of such breach and a failure to cure such breach following a reasonable opportunity to cure, (ii) gross misconduct in the performance of his duties hereunder, or (iii) his material and repeated failure to perform his duties in breach of this Agreement as directed by the Board following notice of such breach and failure to cure such breach following a reasonable opportunity to cure; or
- (3) Executives engaging in conduct constituting cause for Separation under applicable law; or
- (4) Executive’s engaging in conduct constituting a breach of Article 2 or 3 of this Agreement.

“**Good Reason**” shall mean Executive’s resignation from employment with the Company within ninety (90) days after the occurrence of any one of the following conditions, provided that Executive has given written notice to the Company of such condition within thirty (30) days of its first occurrence and the Company has failed to remedy such condition within fifteen (15) days of the delivery of such written notice:

- (1) The failure of the Company to pay a material amount owing to Executive hereunder;

(2) The assignment to Executive by the Company of duties materially and adversely inconsistent with Executive's title or duties from those set forth in this Agreement or the failure to elect or reelect Executive to such position, except in the event of a termination for Cause, death, disability or by Executive other than for Good Reason; or

(3) The Company's requirement that Executive perform services under this Agreement at a location that is more than fifty (50) miles from the Current Location, and Executive's failure to do so.

“**Investors**” means Endeavour Capital Fund IV, L.P., Endeavour Associates Fund IV, L.P., Endeavour Capital Parallel Fund IV, L.P. and 220 GCU, L.P.

“**Person**” means an individual, a partnership, a limited liability company, a corporation, an association, a joint stock company, an investment fund, a trust, a joint venture, an unincorporated organization and a governmental entity or any department, agency or political subdivision thereof.

“**Stockholders Agreement**” means the Stockholders Agreement, dated August 24, 2005, by and among the Company, Significant Education Holding, LLC, and the Investors, as amended or restated from time to time.

ARTICLE 5

NOTICES

Any notice provided for in this Agreement must be in writing and must be either personally delivered, mailed by first class United States mail (postage prepaid) or sent by reputable overnight courier service (charges prepaid) or by facsimile to the recipient at the address below indicated:

If to the Company:

Grand Canyon Education, Inc.
3300 West Camelback Road
Phoenix, Arizona 85017
Telephone: (602) 589-2755
Facsimile: (602) 589-2458

with a copy to each of:

Endeavour Capital IV, LLC
920 SW Sixth Ave
Suite 1400
Portland, OR 97204
Attention: D. Mark Dorman and Chad N. Heath
Telephone: (503) 223-2721

Facsimile: (503) 223-1384

Davis Graham & Stubbs LLP
1550 Seventeenth Street, Suite 500
Denver, Colorado 80202-1500
Attention: Ronald R. Levine, II
Telephone: 303-892-9400
Facsimile: 303-893-1379

If to Executive:

John Crowley
8154 Via de Viva
Scottsdale, AZ 85258
Attention: John Crowley
Telephone: 413-478-5002

or such other address or to the attention of such other person as the recipient party shall have specified by prior written notice to the sending party.

ARTICLE 6

GENERAL PROVISIONS

6.1 Expenses. The Company shall reimburse Executive for all reasonable business, promotional, travel and entertainment expenses incurred or paid by him during the Service Term and the performance of his services under this Agreement, provided that Executive furnishes to the Company in a timely fashion appropriate documentation required by the Internal Revenue Code in connection with such expenses and shall furnish such other reasonable documentation and accounting as the Company, from time to time, may reasonably request. Any reimbursement Executive is entitled to receive shall (a) be paid no later than the last day of Executive's taxable year following the taxable year in which the expense was incurred, (b) not be affected by the amount of expenses eligible for reimbursement in any other taxable year and (c) not be subject to liquidation or exchange for another benefit.

6.2 Complete Agreement. This Agreement, those documents expressly referred to herein and other documents of even date herewith embody the complete agreement and understanding among the parties and supersede and preempt any prior understandings, agreements or representations by or among the parties, written or oral, which may have related to the subject matter hereof in any way.

6.3 Counterparts. This Agreement may be executed in separate counterparts, each of which is deemed to be an original and all of which taken together constitute one and the same agreement.

6.4 Severability. Whenever possible, each provision of this Agreement will be interpreted in such manner as to be effective and valid under applicable law, but if any provision of this Agreement is held to be invalid, illegal or unenforceable in any respect under any applicable law or rule in any jurisdiction, such invalidity, illegality or unenforceability will not affect any other provision or any other jurisdiction, but this Agreement will be reformed, construed and enforced in such jurisdiction as if such invalid, illegal or unenforceable provision had never been contained herein.

6.5 Successors and Assigns. This Agreement is intended to bind and inure to the benefit of and be enforceable by the Company, and its successors and assigns. Executive may not assign any of its rights or obligations under this Agreement.

6.6 Choice of Law. The construction, validity and interpretation of this Agreement and the exhibit hereto will be governed by and construed in accordance with the internal laws of the State of Arizona, without giving effect to any choice of law or conflict of law provision or rule (whether of the State of Arizona or any other jurisdiction) that would cause the application of the laws of any jurisdiction other than the State of Arizona.

6.7 Remedies. Each of the parties to this Agreement will be entitled to enforce its rights under this Agreement specifically, to recover damages and costs (including attorney's fees) caused by any breach of any provision of this Agreement and to exercise all other rights existing in its favor. The parties hereto agree and acknowledge that money damages may not be an adequate remedy for any breach of the provisions of this Agreement and that any party may in its sole discretion apply to any court of law or equity of competent jurisdiction (without posting any bond or deposit) for specific performance and/or other injunctive relief in order to enforce or prevent any violations of the provisions of this Agreement.

6.8 Amendment and Waiver. The provisions of this Agreement may be amended and waived only with the prior written consent of the Company and Executive.

6.9 Business Days. If any time period for giving notice or taking action hereunder expires on a day which is a Saturday, Sunday or holiday in the state in which the Company's chief executive office is located, the time period shall be automatically extended to the business day immediately following such Saturday, Sunday or holiday.

6.10 Termination. All of the provisions of this Agreement shall terminate after the expiration of the Service Term or upon the Separation of Executive's employment with the Company, except Article 2 and Section 3.2 shall survive indefinitely, and Section 3.1 shall terminate upon expiration of the Non-compete Period.

[THIS SPACE INTENTIONALLY LEFT BLANK]

IN WITNESS WHEREOF, the parties hereto have executed this Amended and Restated Senior Management Agreement on the date first written above.

GRAND CANYON EDUCATION, INC.,
a Delaware corporation

By: /s/ Brian Mueller
Name: Brian Mueller
Title: Chief Executive Officer

EXECUTIVE:

/s/ John Crowley
John Crowley

GRAND CANYON EDUCATION, INC.

2008 Equity Incentive Plan

TABLE OF CONTENTS

	<u>Page</u>
1. Establishment, Purpose and Term of Plan	1
1.1 Establishment	1
1.2 Purpose	1
1.3 Term of Plan	1
2. Definitions and Construction	1
2.1 Definitions	1
2.2 Construction	8
3. Administration	9
3.1 Administration by the Committee	9
3.2 Authority of Officers	9
3.3 Administration with Respect to Insiders	9
3.4 Committee Complying with Section 162(m)	9
3.5 Powers of the Committee	9
3.6 Indemnification	10
4. Shares Subject to Plan	11
4.1 Maximum Number of Shares Issuable	11
4.2 Annual Increase in Maximum Number of Shares Issuable	11
4.3 Share Accounting	11
4.4 Adjustments for Changes in Capital Structure	11
5. Eligibility, Participation and Award Limitations	12
5.1 Persons Eligible for Awards	12
5.2 Participation in the Plan	12
5.3 Incentive Stock Option Limitations	12
6. Stock Options	13
6.1 Exercise Price	13
6.2 Exercisability and Term of Options	14
6.3 Payment of Exercise Price	14
6.4 Effect of Termination of Service	15
6.5 Transferability of Options	16
7. Stock Appreciation Rights	16
7.1 Types of SARs Authorized	16
7.2 Exercise Price	16
7.3 Exercisability and Term of SARs	16
7.4 Exercise of SARs	17

TABLE OF CONTENTS
(continued)

	<u>Page</u>
7.5 Deemed Exercise of SARs	17
7.6 Effect of Termination of Service	17
7.7 Transferability of SARs	17
8. Restricted Stock Awards	18
8.1 Types of Restricted Stock Awards Authorized	18
8.2 Purchase Price	18
8.3 Purchase Period	18
8.4 Payment of Purchase Price	18
8.5 Vesting and Restrictions on Transfer	18
8.6 Voting Rights; Dividends and Distributions	19
8.7 Effect of Termination of Service	19
8.8 Nontransferability of Restricted Stock Award Rights	19
9. Restricted Stock Unit Awards	19
9.1 Grant of Restricted Stock Unit Awards	20
9.2 Purchase Price	20
9.3 Vesting	20
9.4 Voting Rights, Dividend Equivalent Rights and Distributions	20
9.5 Effect of Termination of Service	21
9.6 Settlement of Restricted Stock Unit Awards	21
9.7 Nontransferability of Restricted Stock Unit Awards	21
10. Performance Awards	21
10.1 Types of Performance Awards Authorized	22
10.2 Initial Value of Performance Shares and Performance Units	22
10.3 Establishment of Performance Period, Performance Goals and Performance Award Formula	22
10.4 Measurement of Performance Goals	22
10.5 Settlement of Performance Awards	24
10.6 Voting Rights; Dividend Equivalent Rights and Distributions	25
10.7 Effect of Termination of Service	26
10.8 Nontransferability of Performance Awards	26
11. Cash-Based Awards and Other Stock-Based Awards	27
11.1 Grant of Cash-Based Awards	27
11.2 Grant of Other Stock-Based Awards	27
11.3 Value of Cash-Based and Other Stock-Based Awards	27
11.4 Payment or Settlement of Cash-Based Awards and Other Stock-Based Awards	27
11.5 Voting Rights; Dividend Equivalent Rights and Distributions	28
11.6 Effect of Termination of Service	28

TABLE OF CONTENTS
(continued)

	Page
11.7 Nontransferability of Cash-Based Awards and Other Stock-Based Awards	28
12. Nonemployee Director Awards	29
13. Standard Forms of Award Agreement	29
13.1 Award Agreements	29
13.2 Authority to Vary Terms	29
14. Change in Control	29
14.1 Effect of Change in Control on Awards	29
14.2 Effect of Change in Control on Nonemployee Director Awards	30
14.3 Federal Excise Tax Under Section 4999 of the Code	31
15. Compliance with Securities Law	31
16. Compliance with Section 409A	32
16.1 Awards Subject to Section 409A	32
16.2 Deferral and/or Distribution Elections	32
16.3 Subsequent Elections	33
16.4 Payment of Section 409A Deferred Compensation	33
17. Tax Withholding	35
17.1 Tax Withholding in General	35
17.2 Withholding in Shares	35
18. Amendment or Termination of Plan	35
19. Miscellaneous Provisions	36
19.1 Repurchase Rights	36
19.2 Forfeiture Events	36
19.3 Provision of Information	36
19.4 Rights as Employee, Consultant or Director	36
19.5 Rights as a Stockholder	37
19.6 Delivery of Title to Shares	37
19.7 Fractional Shares	37
19.8 Retirement and Welfare Plans	37
19.9 Beneficiary Designation	37
19.10 Severability	37
19.11 No Constraint on Corporate Action	37
19.12 Unfunded Obligation	38
19.13 Choice of Law	38

Grand Canyon Education, Inc.
2008 Equity Incentive Plan

1. ESTABLISHMENT, PURPOSE AND TERM OF PLAN.

1.1 **Establishment.** The Grand Canyon Education, Inc. 2008 Equity Incentive Plan (the “**Plan**”) is hereby established effective as of September 26, 2008, the date of its approval by the stockholders of the Company (the “**Effective Date**”).

1.2 **Purpose.** The purpose of the Plan is to advance the interests of the Participating Company Group and its stockholders by providing an incentive to attract, retain and reward persons performing services for the Participating Company Group and by motivating such persons to contribute to the growth and profitability of the Participating Company Group. The Plan seeks to achieve this purpose by providing for Awards in the form of Options, Stock Appreciation Rights, Restricted Stock Purchase Rights, Restricted Stock Bonuses, Restricted Stock Units, Performance Shares, Performance Units, Cash-Based and Other Stock-Based Awards and Nonemployee Director Awards.

1.3 **Term of Plan.** The Plan shall continue in effect until its termination by the Committee; provided, however, that all Awards shall be granted, if at all, within ten (10) years from the Effective Date.

2. DEFINITIONS AND CONSTRUCTION.

2.1 **Definitions.** Whenever used herein, the following terms shall have their respective meanings set forth below:

(a) “**Affiliate**” means (i) an entity, other than a Parent Corporation, that directly, or indirectly through one or more intermediary entities, controls the Company or (ii) an entity, other than a Subsidiary Corporation, that is controlled by the Company directly or indirectly through one or more intermediary entities. For this purpose, the term “control” (including the term “controlled by”) means the possession, direct or indirect, of the power to direct or cause the direction of the management and policies of the relevant entity, whether through the ownership of voting securities, by contract or otherwise; or shall have such other meaning assigned such term for the purposes of registration on Form S-8 under the Securities Act.

(b) “**Award**” means any Option, Stock Appreciation Right, Restricted Stock Purchase Right, Restricted Stock Bonus, Restricted Stock Unit, Performance Share, Performance Unit, Cash-Based Award, Other Stock-Based Award or Nonemployee Director Award granted under the Plan.

(c) “**Award Agreement**” means a written or electronic agreement between the Company and a Participant setting forth the terms, conditions and restrictions of the Award granted to the Participant.

(d) “**Board**” means the Board of Directors of the Company.

(e) “**Cash-Based Award**” means an Award denominated in cash and granted pursuant to Section 11.

(f) “**Cause**” means, unless such term or an equivalent term is otherwise defined with respect to an Award by the Participant’s Award Agreement or by a written contract of employment or service, any of the following: (i) the Participant’s theft, dishonesty, willful misconduct, breach of fiduciary duty for personal profit, or falsification of any Participating Company documents or records; (ii) the Participant’s material failure to abide by a Participating Company’s code of conduct or other policies (including, without limitation, policies relating to confidentiality and reasonable workplace conduct); (iii) the Participant’s unauthorized use, misappropriation, destruction or diversion of any tangible or intangible asset or corporate opportunity of a Participating Company (including, without limitation, the Participant’s improper use or disclosure of a Participating Company’s confidential or proprietary information); (iv) any intentional act by the Participant which has a material detrimental effect on a Participating Company’s reputation or business; (v) the Participant’s repeated failure or inability to perform any reasonable assigned duties after written notice from a Participating Company of, and a reasonable opportunity to cure, such failure or inability; (vi) any material breach by the Participant of any employment, service, non-disclosure, non-competition, non-solicitation or other similar agreement between the Participant and a Participating Company, which breach is not cured pursuant to the terms of such agreement; or (vii) the Participant’s conviction (including any plea of guilty or nolo contendere) of any criminal act involving fraud, dishonesty, misappropriation or moral turpitude, or which impairs the Participant’s ability to perform his or her duties with a Participating Company.

(g) “**Change in Control**” means, unless such term or an equivalent term is otherwise defined with respect to an Award by the Participant’s Award Agreement or by a written contract of employment or service, the occurrence of any of the following:

(i) any “person” (as such term is used in Sections 13(d) and 14(d) of the Exchange Act) becomes the “beneficial owner” (as such term is defined in Rule 13d-3 promulgated under the Exchange Act), directly or indirectly, of securities of the Company representing more than fifty percent (50%) of the total Fair Market Value or total combined voting power of the Company’s then-outstanding securities entitled to vote generally in the election of Directors; provided, however, that a Change in Control shall not be deemed to have occurred if such level of beneficial ownership results from any of the following: (A) an acquisition by any person who on the Effective Date is the beneficial owner of more than fifty percent (50%) of such voting power, (B) any acquisition directly from the Company, including, without limitation, pursuant to or in connection with a public offering of securities, (C) any acquisition by the Company, (D) any acquisition by a trustee or other fiduciary under an employee benefit plan of a Participating Company or (E) any acquisition by an entity owned directly or indirectly by the stockholders of the Company in substantially the same proportions as their ownership of the voting securities of the Company; or

(ii) an Ownership Change Event or series of related Ownership Change Events (collectively, a “**Transaction**”) in which the stockholders of the Company

immediately before the Transaction do not retain immediately after the Transaction direct or indirect beneficial ownership of more than fifty percent (50%) of the total combined voting power of the outstanding securities entitled to vote generally in the election of Directors or, in the case of an Ownership Change Event described in Section 2.1(dd)(iii), the entity to which the assets of the Company were transferred (the “**Transferee**”), as the case may be; or

(iii) a liquidation or dissolution of the Company;

provided, however, that a Change in Control shall be deemed not to include a transaction described in subsections (i) or (ii) of this Section 2.1(g) in which a majority of the members of the board of directors of the continuing, surviving or successor entity, or parent thereof, immediately after such transaction is comprised of Incumbent Directors. For purposes of the preceding sentence, indirect beneficial ownership shall include, without limitation, an interest resulting from ownership of the voting securities of one or more corporations or other business entities which own the Company or the Transferee, as the case may be, either directly or through one or more subsidiary corporations or other business entities. The Committee shall determine whether multiple sales or exchanges of the voting securities of the Company or multiple Ownership Change Events are related, and its determination shall be final, binding and conclusive.

(h) “**Code**” means the Internal Revenue Code of 1986, as amended, and any applicable regulations or administrative guidelines promulgated thereunder.

(i) “**Committee**” means the Compensation Committee and such other committee or subcommittee of the Board, if any, duly appointed to administer the Plan and having such powers in each instance as shall be specified by the Board. If, at any time, there is no committee of the Board then authorized or properly constituted to administer the Plan, the Board shall exercise all of the powers of the Committee granted herein, and, in any event, the Board may in its discretion exercise any or all of such powers.

(j) “**Company**” means Grand Canyon Education, Inc., a Delaware corporation, or any successor corporation thereto.

(k) “**Consultant**” means a person engaged to provide consulting or advisory services (other than as an Employee or a member of the Board) to a Participating Company, provided that the identity of such person, the nature of such services or the entity to which such services are provided would not preclude the Company from offering or selling securities to such person pursuant to the Plan in reliance on registration on Form S-8 under the Securities Act.

(l) “**Covered Employee**” means, at any time the Plan is subject to Section 162(m), any Employee who is or may reasonably be expected to become a “covered employee” as defined in Section 162(m), or any successor statute, and who is designated, either as an individual Employee or a member of a class of Employees, by the Committee no later than (i) the date that is ninety (90) days after the beginning of the Performance Period, or (ii) the date on which twenty-five percent (25%) of the Performance Period has elapsed, as a “Covered Employee” under this Plan for such applicable Performance Period.

(m) “**Director**” means a member of the Board.

(n) “**Disability**” means the permanent and total disability of the Participant, within the meaning of Section 22(e)(3) of the Code.

(o) “**Dividend Equivalent Right**” means the right of a Participant, granted at the discretion of the Committee or as otherwise provided by the Plan, to receive a credit for the account of such Participant in an amount equal to the cash dividends paid on one share of Stock for each share of Stock represented by an Award held by such Participant.

(p) “**Employee**” means any person treated as an employee (including an Officer or a member of the Board who is also treated as an employee) in the records of a Participating Company and, with respect to any Incentive Stock Option granted to such person, who is an employee for purposes of Section 422 of the Code; provided, however, that neither service as a member of the Board nor payment of a director’s fee shall be sufficient to constitute employment for purposes of the Plan. The Company shall determine in good faith and in the exercise of its discretion whether an individual has become or has ceased to be an Employee and the effective date of such individual’s employment or termination of employment, as the case may be. For purposes of an individual’s rights, if any, under the terms of the Plan as of the time of the Company’s determination of whether or not the individual is an Employee, all such determinations by the Company shall be final, binding and conclusive as to such rights, if any, notwithstanding that the Company or any court of law or governmental agency subsequently makes a contrary determination as to such individual’s status as an Employee.

(q) “**Exchange Act**” means the Securities Exchange Act of 1934, as amended.

(r) “**Fair Market Value**” means, as of any date, the value of a share of Stock or other property as determined by the Committee, in its discretion, or by the Company, in its discretion, if such determination is expressly allocated to the Company herein, subject to the following:

(i) Except as otherwise determined by the Committee, if, on such date, the Stock is listed or quoted on a national or regional securities exchange or quotation system, the Fair Market Value of a share of Stock shall be the closing price of a share of Stock as quoted on the national or regional securities exchange or quotation system constituting the primary market for the Stock, as reported in *The Wall Street Journal* or such other source as the Company deems reliable. If the relevant date does not fall on a day on which the Stock has traded on such securities exchange or quotation system, the date on which the Fair Market Value shall be established shall be the last day on which the Stock was so traded or quoted prior to the relevant date, or such other appropriate day as shall be determined by the Committee, in its discretion.

(ii) Notwithstanding the foregoing, the Committee may, in its discretion, determine the Fair Market Value on the basis of the opening, closing, or average of the high and low sale prices of a share of Stock on such date or the preceding trading day, the actual sale price of a share of Stock received by a Participant, any other reasonable basis using

actual transactions in the Stock as reported on a national or regional securities exchange or quotation system, or on any other basis consistent with the requirements of Section 409A. The Committee may also determine the Fair Market Value upon the average selling price of the Stock during a specified period that is within thirty (30) days before or thirty (30) days after such date, provided that, with respect to the grant of an Option or SAR, the commitment to grant such Award based on such valuation method must be irrevocable before the beginning of the specified period. The Committee may vary its method of determination of the Fair Market Value as provided in this Section for different purposes under the Plan to the extent consistent with the requirements of Section 409A.

(iii) If, on such date, the Stock is not listed or quoted on a national or regional securities exchange or quotation system, the Fair Market Value of a share of Stock shall be as determined by the Committee in good faith without regard to any restriction other than a restriction which, by its terms, will never lapse, and in a manner consistent with the requirements of Section 409A.

(s) “**Incentive Stock Option**” means an Option intended to be (as set forth in the Award Agreement) and which qualifies as an incentive stock option within the meaning of Section 422(b) of the Code.

(t) “**Incumbent Director**” means a director who either (i) is a member of the Board as of the Effective Date, or (ii) is elected, or nominated for election, to the Board with the affirmative votes of at least a majority of the Incumbent Directors at the time of such election or nomination, but who was not elected or nominated in connection with an actual or threatened proxy contest relating to the election of directors of the Company.

(u) “**Insider**” means an Officer, Director or any other person whose transactions in Stock are subject to Section 16 of the Exchange Act.

(v) “**Insider Trading Policy**” means the written policy of the Company pertaining to the purchase, sale, transfer or other disposition of the Company’s equity securities by Directors, Officers, Employees or other service providers who may possess material, nonpublic information regarding the Company or its securities.

(w) “**Net-Exercise**” means a procedure by which the Participant will be issued a number of shares of Stock upon the exercise of an Option determined in accordance with the following formula:

$$N = X * ((A - B) / A), \text{ where}$$

“N” = the number of shares of Stock to be issued to the Participant upon exercise of the Option;

“X” = the total number of shares with respect to which the Participant has elected to exercise the Option;

“A” = the Fair Market Value of one (1) share of Stock determined on the exercise date; and

“B” = the exercise price per share (as defined in the Participant’s Award Agreement)

(x) “**Nonemployee Director**” means a Director who is not an Employee.

(y) “**Nonemployee Director Award**” means a Nonstatutory Stock Option, Stock Appreciation Right, Restricted Stock Award or Restricted Stock Unit Award granted to a Nonemployee Director pursuant to Section 12 of the Plan.

(z) “**Nonstatutory Stock Option**” means an Option not intended to be (as set forth in the Award Agreement) an incentive stock option within the meaning of Section 422(b) of the Code.

(aa) “**Officer**” means any person designated by the Board as an officer of the Company.

(bb) “**Option**” means an Incentive Stock Option or a Nonstatutory Stock Option granted pursuant to the Plan.

(cc) “**Other Stock-Based Award**” means an Award denominated in shares of Stock and granted pursuant to Section 11.

(dd) “**Ownership Change Event**” means the occurrence of any of the following with respect to the Company: (i) the direct or indirect sale or exchange in a single or series of related transactions by the stockholders of the Company of more than fifty percent (50%) of the voting stock of the Company; (ii) a merger or consolidation in which the Company is a party; or (iii) the sale, exchange, or transfer of all or substantially all of the assets of the Company (other than a sale, exchange or transfer to one or more subsidiaries of the Company).

(ee) “**Parent Corporation**” means any present or future “parent corporation” of the Company, as defined in Section 424(e) of the Code.

(ff) “**Participant**” means any eligible person who has been granted one or more Awards.

(gg) “**Participating Company**” means the Company or any Parent Corporation, Subsidiary Corporation or Affiliate.

(hh) “**Participating Company Group**” means, at any point in time, the Company and all other entities collectively which are then Participating Companies.

(ii) “**Performance Award**” means an Award of Performance Shares or Performance Units.

(jj) “**Performance Award Formula**” means, for any Performance Award, a formula or table established by the Committee pursuant to Section 10.3 which provides the basis for computing the value of a Performance Award at one or more threshold levels of attainment of the applicable Performance Goal(s) measured as of the end of the applicable Performance Period.

- (kk) “**Performance-Based Compensation**” means compensation under an Award that satisfies the requirements of Section 162(m) for certain performance-based compensation paid to Covered Employees.
- (ll) “**Performance Goal**” means a performance goal established by the Committee pursuant to Section 10.3.
- (mm) “**Performance Period**” means a period established by the Committee pursuant to Section 10.3 at the end of which one or more Performance Goals are to be measured.
- (nn) “**Performance Share**” means a right granted to a Participant pursuant to Section 10 to receive a payment equal to the value of a Performance Share, as determined by the Committee, based on performance.
- (oo) “**Performance Unit**” means a right granted to a Participant pursuant to Section 10 to receive a payment equal to the value of a Performance Unit, as determined by the Committee, based upon performance.
- (pp) “**Restricted Stock Award**” means an Award of a Restricted Stock Bonus or a Restricted Stock Purchase Right.
- (qq) “**Restricted Stock Bonus**” means Stock granted to a Participant pursuant to Section 8 or Section 12.
- (rr) “**Restricted Stock Purchase Right**” means a right to purchase Stock granted to a Participant pursuant to Section 8 or Section 12.
- (ss) “**Restricted Stock Unit**” or “**Stock Unit**” means a right granted to a Participant pursuant to Section 9 or Section 12 to receive a share of Stock on a date determined in accordance with the provisions of such Sections, as applicable, and the Participant’s Award Agreement.
- (tt) “**Rule 16b-3**” means Rule 16b-3 under the Exchange Act, as amended from time to time, or any successor rule or regulation.
- (uu) “**SAR**” or “**Stock Appreciation Right**” means a right granted to a Participant pursuant to Section 7 or Section 12 to receive payment, for each share of Stock subject to such SAR, of an amount equal to the excess, if any, of the Fair Market Value of a share of Stock on the date of exercise of the SAR over the exercise price.
- (vv) “**Section 162(m)**” means Section 162(m) of the Code.
- (ww) “**Section 409A**” means Section 409A of the Code.
- (xx) “**Section 409A Deferred Compensation**” means compensation provided pursuant to an Award that constitutes deferred compensation subject to and not exempted from the requirements of Section 409A.

(yy) “**Securities Act**” means the Securities Act of 1933, as amended.

(zz) “**Service**” means a Participant’s employment or service with the Participating Company Group, whether in the capacity of an Employee, a Director or a Consultant. Unless otherwise provided by the Committee, a Participant’s Service shall not be deemed to have terminated merely because of a change in the capacity in which the Participant renders such Service or a change in the Participating Company for which the Participant renders such Service, provided that there is no interruption or termination of the Participant’s Service. Furthermore, a Participant’s Service shall not be deemed to have terminated if the Participant takes any military leave, sick leave, or other bona fide leave of absence approved by the Company. However, unless otherwise provided by the Committee, if any such leave taken by a Participant exceeds ninety (90) days, then on the ninety-first (91st) day following the commencement of such leave the Participant’s Service shall be deemed to have terminated, unless the Participant’s right to return to Service is guaranteed by statute or contract. Notwithstanding the foregoing, unless otherwise designated by the Company or required by law, an unpaid leave of absence shall not be treated as Service for purposes of determining vesting under the Participant’s Award Agreement. A Participant’s Service shall be deemed to have terminated either upon an actual termination of Service or upon the business entity for which the Participant performs Service ceasing to be a Participating Company. Subject to the foregoing, the Company, in its discretion, shall determine whether the Participant’s Service has terminated and the effective date of such termination.

(aaa) “**Stock**” means the common stock of the Company, as adjusted from time to time in accordance with Section 4.4.

(bbb) “**Subsidiary Corporation**” means any present or future “subsidiary corporation” of the Company, as defined in Section 424(f) of the Code.

(ccc) “**Ten Percent Owner**” means a Participant who, at the time an Option is granted to the Participant, owns stock possessing more than ten percent (10%) of the total combined voting power of all classes of stock of a Participating Company (other than an Affiliate) within the meaning of Section 422(b)(6) of the Code.

(ddd) “**Vesting Conditions**” mean those conditions established in accordance with the Plan prior to the satisfaction of which shares subject to an Award remain subject to forfeiture or a repurchase option in favor of the Company exercisable for the Participant’s monetary purchase price, if any, for such shares upon the Participant’s termination of Service.

2.2 **Construction.** Captions and titles contained herein are for convenience only and shall not affect the meaning or interpretation of any provision of the Plan. Except when otherwise indicated by the context, the singular shall include the plural and the plural shall include the singular. Use of the term “or” is not intended to be exclusive, unless the context clearly requires otherwise.

3. ADMINISTRATION.

3.1 **Administration by the Committee.** The Plan shall be administered by the Committee. All questions of interpretation of the Plan, of any Award Agreement or of any other form of agreement or other document employed by the Company in the administration of the Plan or of any Award shall be determined by the Committee, and such determinations shall be final, binding and conclusive upon all persons having an interest in the Plan or such Award, unless fraudulent or made in bad faith. Any and all actions, decisions and determinations taken or made by the Committee in the exercise of its discretion pursuant to the Plan or Award Agreement or other agreement thereunder (other than determining questions of interpretation pursuant to the preceding sentence) shall be final, binding and conclusive upon all persons having an interest therein. All expenses incurred in connection with the administration of the Plan shall be paid by the Company.

3.2 **Authority of Officers.** Any Officer shall have the authority to act on behalf of the Company with respect to any matter, right, obligation, determination or election which is the responsibility of or which is allocated to the Company herein, provided the Officer has apparent authority with respect to such matter, right, obligation, determination or election. The Board or Committee may, in its discretion, delegate to a committee comprised of one or more Officers the authority to grant one or more Awards, without further approval of the Board or the Committee, to any Employee, other than a person who, at the time of such grant, is an Insider or a Covered Person; provided, however, that (a) the exercise price per share of each such Award which is an Option or SAR shall be not less than the Fair Market Value per share of the Stock on the effective date of grant (or, if the Stock has not traded on such date, on the last day preceding the effective date of grant on which the Stock was traded), (b) each such Award shall be subject to the terms and conditions of the appropriate standard form of Award Agreement approved by the Board or the Committee and shall conform to the provisions of the Plan, and (c) each such Award shall conform to guidelines as shall be established from time to time by resolution of the Board or the Committee.

3.3 **Administration with Respect to Insiders.** With respect to participation by Insiders in the Plan, at any time that any class of equity security of the Company is registered pursuant to Section 12 of the Exchange Act, the Plan shall be administered in compliance with the requirements, if any, of Rule 16b-3.

3.4 **Committee Complying with Section 162(m).** If the Company is a “publicly held corporation” within the meaning of Section 162(m), the Board may establish a Committee of “outside directors” within the meaning of Section 162(m) to approve the grant of any Award intended to result in the payment of Performance-Based Compensation.

3.5 **Powers of the Committee.** In addition to any other powers set forth in the Plan and subject to the provisions of the Plan, the Committee shall have the full and final power and authority, in its discretion:

- (a) to determine the persons to whom, and the time or times at which, Awards shall be granted and the number of shares of Stock, units or monetary value to be subject to each Award;

(b) to determine the type of Award granted;

(c) to determine the Fair Market Value of shares of Stock or other property;

(d) to determine the terms, conditions and restrictions applicable to each Award (which need not be identical) and any shares acquired pursuant thereto, including, without limitation, (i) the exercise or purchase price of shares pursuant to any Award, (ii) the method of payment for shares purchased pursuant to any Award, (iii) the method for satisfaction of any tax withholding obligation arising in connection with any Award, including by the withholding or delivery of shares of Stock, (iv) the timing, terms and conditions of the exercisability or vesting of any Award or any shares acquired pursuant thereto, (v) the Performance Measures, Performance Period, Performance Award Formula and Performance Goals applicable to any Award and the extent to which such Performance Goals have been attained, (vi) the time of the expiration of any Award, (vii) the effect of the Participant's termination of Service on any of the foregoing, and (viii) all other terms, conditions and restrictions applicable to any Award or shares acquired pursuant thereto not inconsistent with the terms of the Plan;

(e) to determine whether an Award will be settled in shares of Stock, cash, or in any combination thereof;

(f) to approve one or more forms of Award Agreement;

(g) to amend, modify, extend, cancel or renew any Award or to waive any restrictions or conditions applicable to any Award or any shares acquired pursuant thereto;

(h) to accelerate, continue, extend or defer the exercisability or vesting of any Award or any shares acquired pursuant thereto, including with respect to the period following a Participant's termination of Service;

(i) to prescribe, amend or rescind rules, guidelines and policies relating to the Plan, or to adopt sub-plans or supplements to, or alternative versions of, the Plan, including, without limitation, as the Committee deems necessary or desirable to comply with the laws or regulations of or to accommodate the tax policy, accounting principles or custom of, foreign jurisdictions whose citizens may be granted Awards; and

(j) to correct any defect, supply any omission or reconcile any inconsistency in the Plan or any Award Agreement and to make all other determinations and take such other actions with respect to the Plan or any Award as the Committee may deem advisable to the extent not inconsistent with the provisions of the Plan or applicable law.

3.6 Indemnification. In addition to such other rights of indemnification as they may have as members of the Board or the Committee or as officers or employees of the Participating Company Group, members of the Board or the Committee and any officers or employees of the Participating Company Group to whom authority to act for the Board, the Committee or the Company is delegated shall be indemnified by the Company against all reasonable expenses, including attorneys' fees, actually and necessarily incurred in connection

with the defense of any action, suit or proceeding, or in connection with any appeal therein, to which they or any of them may be a party by reason of any action taken or failure to act under or in connection with the Plan, or any right granted hereunder, and against all amounts paid by them in settlement thereof (provided such settlement is approved by independent legal counsel selected by the Company) or paid by them in satisfaction of a judgment in any such action, suit or proceeding, except in relation to matters as to which it shall be adjudged in such action, suit or proceeding that such person is liable for gross negligence, bad faith or intentional misconduct in duties; provided, however, that within sixty (60) days after the institution of such action, suit or proceeding, such person shall offer to the Company, in writing, the opportunity at its own expense to handle and defend the same.

4. **SHARES SUBJECT TO PLAN.**

4.1 **Maximum Number of Shares Issuable.** Subject to adjustment as provided in Sections 4.2, 4.3 and 4.4, the maximum aggregate number of shares of Stock that may be issued under the Plan shall be equal to 4,199,937 and shall consist of authorized but unissued or reacquired shares of Stock or any combination thereof.

4.2 **Annual Increase in Maximum Number of Shares Issuable.** Subject to adjustment as provided in Section 4.4, the maximum aggregate number of shares of Stock that may be issued under the Plan as set forth in Section 4.1 shall be cumulatively increased on January 1, 2009 and on each subsequent January 1 through and including January 1, 2018, by a number of shares (the “**Annual Increase**”) equal to the smaller of (a) two and one-half percent (2.5%) of the number of shares of Stock issued and outstanding on the immediately preceding December 31, or (b) an amount determined by the Board.

4.3 **Share Accounting.** If an outstanding Award for any reason expires or is terminated or canceled without having been exercised or settled in full, or if shares of Stock acquired pursuant to an Award subject to forfeiture or repurchase are forfeited or repurchased by the Company for an amount not greater than the Participant’s purchase price, the shares of Stock allocable to the terminated portion of such Award or such forfeited or repurchased shares of Stock shall again be available for issuance under the Plan. Shares of Stock shall not be deemed to have been issued pursuant to the Plan (a) with respect to any portion of an Award that is settled in cash or (b) to the extent such shares are withheld or reacquired by the Company in satisfaction of tax withholding obligations pursuant to Section 17.2. Upon payment in shares of Stock pursuant to the exercise of an SAR, the number of shares available for issuance under the Plan shall be reduced only by the number of shares actually issued in such payment. If the exercise price of an Option is paid by tender to the Company, or attestation to the ownership, of shares of Stock owned by the Participant, or by means of a Net-Exercise, the number of shares available for issuance under the Plan shall be reduced by the net number of shares for which the Option is exercised.

4.4 **Adjustments for Changes in Capital Structure.** Subject to any required action by the stockholders of the Company and the requirements of Section 409A and 424 of the Code to the extent applicable, in the event of any change in the Stock effected without receipt of consideration by the Company, whether through merger, consolidation, reorganization,

reincorporation, recapitalization, reclassification, stock dividend, stock split, reverse stock split, split-up, split-off, spin-off, combination of shares, exchange of shares, or similar change in the capital structure of the Company, or in the event of payment of a dividend or distribution to the stockholders of the Company in a form other than Stock (excepting normal cash dividends) that has a material effect on the Fair Market Value of shares of Stock, appropriate and proportionate adjustments shall be made in the number and kind of shares subject to the Plan and to any outstanding Awards, in the Award limits set forth in Section 5.3 and in the exercise or purchase price per share under any outstanding Award in order to prevent dilution or enlargement of Participants' rights under the Plan. For purposes of the foregoing, conversion of any convertible securities of the Company shall not be treated as "effected without receipt of consideration by the Company." If a majority of the shares which are of the same class as the shares that are subject to outstanding Awards are exchanged for, converted into, or otherwise become (whether or not pursuant to an Ownership Change Event) shares of another corporation (the "***New Shares***"), the Committee may unilaterally amend the outstanding Awards to provide that such Awards are for New Shares. In the event of any such amendment, the number of shares subject to, and the exercise or purchase price per share of, the outstanding Awards shall be adjusted in a fair and equitable manner as determined by the Committee, in its discretion. Any fractional share resulting from an adjustment pursuant to this Section shall be rounded down to the nearest whole number, and in no event may the exercise or purchase price under any Award be decreased to an amount less than the par value, if any, of the stock subject to such Award. The Committee in its discretion, may also make such adjustments in the terms of any Award to reflect, or related to, such changes in the capital structure of the Company or distributions as it deems appropriate, including modification of Performance Goals, Performance Award Formulas and Performance Periods. The adjustments determined by the Committee pursuant to this Section shall be final, binding and conclusive.

The Committee may, without affecting the number of shares of Stock reserved or available hereunder, authorize the issuance or assumption of benefits under this Plan in connection with any merger, consolidation, acquisition of property or stock, or reorganization upon such terms and conditions as it may deem appropriate, subject to compliance with Section 409A and any other applicable provisions of the Code.

5. **ELIGIBILITY, PARTICIPATION AND AWARD LIMITATIONS.**

5.1 **Persons Eligible for Awards.** Awards, other than Nonemployee Director Awards, may be granted only to Employees and Consultants. Nonemployee Director Awards may be granted only to persons who, at the time of grant, are Nonemployee Directors.

5.2 **Participation in the Plan.** Subject to Section 3.2 above, Awards are granted solely at the discretion of the Committee. Eligible persons may be granted more than one Award. However, eligibility in accordance with this Section shall not entitle any person to be granted an Award, or, having been granted an Award, to be granted an additional Award.

5.3 **Incentive Stock Option Limitations.**

(a) ***Maximum Number of Shares Issuable Pursuant to Incentive Stock Options.*** Subject to adjustment as provided in Section 4.4, the maximum aggregate

number of shares of Stock that may be issued under the Plan pursuant to the exercise of Incentive Stock Options shall not exceed 4,199,937, cumulatively increased on January 1, 2009 and on each subsequent January 1, through and including January 1, 2018, by a number of shares equal to the smaller of the Annual Increase determined under Section 4.2 or 4,199,937 shares. The maximum aggregate number of shares of Stock that may be issued under the Plan pursuant to all Awards other than Incentive Stock Options shall be the number of shares determined in accordance with Section 4.1, subject to adjustment as provided in Sections 4.2, 4.3 and 4.4.

(b) **Persons Eligible.** An Incentive Stock Option may be granted only to a person who, on the effective date of grant, is an Employee of the Company, a Parent Corporation or a Subsidiary Corporation (each being an “**ISO-Qualifying Corporation**”). Any person who is not an Employee of an ISO-Qualifying Corporation on the effective date of the grant of an Option to such person may be granted only a Nonstatutory Stock Option.

(c) **Fair Market Value Limitation.** To the extent that options designated as Incentive Stock Options (granted under all stock option plans of the Participating Company Group, including the Plan) become exercisable by a Participant for the first time during any calendar year for stock having a Fair Market Value greater than One Hundred Thousand Dollars (\$100,000), the portion of such options which exceeds such amount shall be treated as Nonstatutory Stock Options. For purposes of this Section, options designated as Incentive Stock Options shall be taken into account in the order in which they were granted, and the Fair Market Value of stock shall be determined as of the time the option with respect to such stock is granted. If the Code is amended to provide for a limitation different from that set forth in this Section, such different limitation shall be deemed incorporated herein effective as of the date and with respect to such Options as required or permitted by such amendment to the Code. If an Option is treated as an Incentive Stock Option in part and as a Nonstatutory Stock Option in part by reason of the limitation set forth in this Section, the Participant may designate which portion of such Option the Participant is exercising. In the absence of such designation, the Participant shall be deemed to have exercised the Incentive Stock Option portion of the Option first. Upon exercise, shares issued pursuant to each such portion shall be separately identified.

6. STOCK OPTIONS.

Options shall be evidenced by Award Agreements specifying the number of shares of Stock covered thereby, in such form as the Committee shall from time to time establish. Award Agreements evidencing Options may incorporate all or any of the terms of the Plan by reference and shall comply with and be subject to the following terms and conditions:

6.1 **Exercise Price.** The exercise price for each Option shall be established in the discretion of the Committee; provided, however, that (a) the exercise price per share shall be not less than the Fair Market Value of a share of Stock on the effective date of grant of the Option and (b) no Incentive Stock Option granted to a Ten Percent Owner shall have an exercise price per share less than one hundred ten percent (110%) of the Fair Market Value of a share of Stock on the effective date of grant of the Option. Notwithstanding the foregoing, an Option (whether an Incentive Stock Option or a Nonstatutory Stock Option) may be granted with an exercise price lower than the minimum exercise price set forth above if such Option is granted

pursuant to an assumption or substitution for another option in a manner qualifying under the provisions of Section 424(a) of the Code.

6.2 Exercisability and Term of Options. Options shall be exercisable at such time or times, or upon such event or events, and subject to such terms, conditions, performance criteria and restrictions as shall be determined by the Committee and set forth in the Award Agreement evidencing such Option; provided, however, that (a) no Option shall be exercisable after the expiration of ten (10) years after the effective date of grant of such Option and (b) no Incentive Stock Option granted to a Ten Percent Owner shall be exercisable after the expiration of five (5) years after the effective date of grant of such Option. Subject to the foregoing, unless otherwise specified by the Committee in the grant of an Option, each Option shall terminate ten (10) years after the effective date of grant of the Option, unless earlier terminated in accordance with its provisions.

6.3 Payment of Exercise Price.

(a) **Forms of Consideration Authorized.** Except as otherwise provided below, payment of the exercise price for the number of shares of Stock being purchased pursuant to any Option shall be made (i) in cash, by check or in cash equivalent, (ii) by tender to the Company, or attestation to the ownership, of shares of Stock owned by the Participant having a Fair Market Value not less than the exercise price, (iii) by delivery of a properly executed notice of exercise together with irrevocable instructions to a broker providing for the assignment to the Company of the proceeds of a sale or loan with respect to some or all of the shares being acquired upon the exercise of the Option (including, without limitation, through an exercise complying with the provisions of Regulation T as promulgated from time to time by the Board of Governors of the Federal Reserve System) (a “**Cashless Exercise**”), (iv) by delivery of a properly executed notice electing a Net-Exercise, (v) by such other consideration as may be approved by the Committee from time to time to the extent permitted by applicable law, or (vi) by any combination thereof. The Committee may at any time or from time to time grant Options which do not permit all of the foregoing forms of consideration to be used in payment of the exercise price or which otherwise restrict one or more forms of consideration.

(b) **Limitations on Forms of Consideration.**

(i) **Tender of Stock.** Notwithstanding the foregoing, an Option may not be exercised by tender to the Company, or attestation to the ownership, of shares of Stock to the extent such tender or attestation would constitute a violation of the provisions of any law, regulation or agreement restricting the redemption of the Company’s stock. Unless otherwise provided by the Committee, an Option may not be exercised by tender to the Company, or attestation to the ownership, of shares of Stock unless such shares either have been owned by the Participant for more than six (6) months (or such other period, if any, as the Committee may permit) and not used for another Option exercise by attestation during such period, or were not acquired, directly or indirectly, from the Company.

(ii) **Cashless Exercise.** The Company reserves, at any and all times, the right, in the Company’s sole and absolute discretion, to establish, decline to approve or terminate any program or procedures for the exercise of Options by means of a Cashless

Exercise, including with respect to one or more Participants specified by the Company notwithstanding that such program or procedures may be available to other Participants.

6.4 Effect of Termination of Service.

(a) **Option Exercisability.** Subject to earlier termination of the Option as otherwise provided herein and unless otherwise provided by the Committee, an Option shall terminate immediately upon the Participant's termination of Service to the extent that it is then unvested and shall be exercisable after the Participant's termination of Service to the extent it is then vested only during the applicable time period determined in accordance with this Section and thereafter shall terminate.

(i) **Disability.** If the Participant's Service terminates because of the Disability of the Participant, the Option, to the extent unexercised and exercisable for vested shares on the date on which the Participant's Service terminated, may be exercised by the Participant (or the Participant's guardian or legal representative) at any time prior to the expiration of twelve (12) months after the date on which the Participant's Service terminated, but in any event no later than the date of expiration of the Option's term as set forth in the Award Agreement evidencing such Option (the "**Option Expiration Date**").

(ii) **Death.** If the Participant's Service terminates because of the death of the Participant, the Option, to the extent unexercised and exercisable for vested shares on the date on which the Participant's Service terminated, may be exercised by the Participant's legal representative or other person who acquired the right to exercise the Option by reason of the Participant's death at any time prior to the expiration of twelve (12) months after the date on which the Participant's Service terminated, but in any event no later than the Option Expiration Date. The Participant's Service shall be deemed to have terminated on account of death if the Participant dies within three (3) months after the Participant's termination of Service.

(iii) **Termination for Cause.** Notwithstanding any other provision of the Plan to the contrary, if the Participant's Service is terminated for Cause or if, following the Participant's termination of Service and during any period in which the Option otherwise would remain exercisable, the Participant engages in any act that would constitute Cause, the Option shall terminate in its entirety and cease to be exercisable immediately upon such termination of Service or act.

(iv) **Other Termination of Service.** If the Participant's Service terminates for any reason, except Disability, death or Cause, the Option, to the extent unexercised and exercisable for vested shares on the date on which the Participant's Service terminated, may be exercised by the Participant at any time prior to the expiration of three (3) months after the date on which the Participant's Service terminated, but in any event no later than the Option Expiration Date.

(b) **Extension if Exercise Prevented by Law.** Notwithstanding the foregoing, other than termination of Service for Cause, if the exercise of an Option within the applicable time periods set forth in Section 6.4(a) is prevented by the provisions of Section 15 below, the Option shall remain exercisable until the later of (i) thirty (30) days after the date such

exercise first would no longer be prevented by such provisions or (ii) the end of the applicable time period under Section 6.4(a), but in any event no later than the Option Expiration Date.

6.5 Transferability of Options. During the lifetime of the Participant, an Option shall be exercisable only by the Participant or the Participant's guardian or legal representative. An Option shall not be subject in any manner to anticipation, alienation, sale, exchange, transfer, assignment, pledge, encumbrance, or garnishment by creditors of the Participant or the Participant's beneficiary, except transfer by will or by the laws of descent and distribution. Notwithstanding the foregoing, to the extent permitted by the Committee, in its discretion, and set forth in the Award Agreement evidencing such Option, a Nonstatutory Stock Option shall be assignable or transferable subject to the applicable limitations, if any, described in the General Instructions to Form S-8 under the Securities Act.

7. STOCK APPRECIATION RIGHTS.

Stock Appreciation Rights shall be evidenced by Award Agreements specifying the number of shares of Stock subject to the Award, in such form as the Committee shall from time to time establish. Award Agreements evidencing SARs may incorporate all or any of the terms of the Plan by reference and shall comply with and be subject to the following terms and conditions:

7.1 Types of SARs Authorized. SARs may be granted in tandem with all or any portion of a related Option (a "***Tandem SAR***") or may be granted independently of any Option (a "***Freestanding SAR***"). A Tandem SAR may only be granted concurrently with the grant of the related Option.

7.2 Exercise Price. The exercise price for each SAR shall be established in the discretion of the Committee; provided, however, that (a) the exercise price per share subject to a Tandem SAR shall be the exercise price per share under the related Option and (b) the exercise price per share subject to a Freestanding SAR shall be not less than the Fair Market Value of a share of Stock on the effective date of grant of the SAR.

7.3 Exercisability and Term of SARs.

(a) ***Tandem SARs.*** Tandem SARs shall be exercisable only at the time and to the extent, and only to the extent, that the related Option is exercisable, subject to such provisions as the Committee may specify where the Tandem SAR is granted with respect to less than the full number of shares of Stock subject to the related Option. The Committee may, in its discretion, provide in any Award Agreement evidencing a Tandem SAR that such SAR may not be exercised without the advance approval of the Company and, if such approval is not given, then the Option shall nevertheless remain exercisable in accordance with its terms. A Tandem SAR shall terminate and cease to be exercisable no later than the date on which the related Option expires or is terminated or canceled. Upon the exercise of a Tandem SAR with respect to some or all of the shares subject to such SAR, the related Option shall be canceled automatically as to the number of shares with respect to which the Tandem SAR was exercised. Upon the exercise of an Option related to a Tandem SAR as to some or all of the shares subject

to such Option, the related Tandem SAR shall be canceled automatically as to the number of shares with respect to which the related Option was exercised.

(b) **Freestanding SARs.** Freestanding SARs shall be exercisable at such time or times, or upon such event or events, and subject to such terms, conditions, performance criteria and restrictions as shall be determined by the Committee and set forth in the Award Agreement evidencing such SAR; provided, however, that no Freestanding SAR shall be exercisable after the expiration of ten (10) years after the effective date of grant of such SAR.

7.4 Exercise of SARs. Upon the exercise (or deemed exercise pursuant to Section 7.5) of an SAR, the Participant (or the Participant's legal representative or other person who acquired the right to exercise the SAR by reason of the Participant's death) shall be entitled to receive payment of an amount for each share with respect to which the SAR is exercised equal to the excess, if any, of the Fair Market Value of a share of Stock on the date of exercise of the SAR over the exercise price. Payment of such amount shall be made (a) in the case of a Tandem SAR, solely in shares of Stock in a lump sum upon the date of exercise of the SAR and (b) in the case of a Freestanding SAR, in cash, shares of Stock, or any combination thereof as determined by the Committee, in a lump sum upon the date of exercise of the SAR. When payment is to be made in shares of Stock, the number of shares to be issued shall be determined on the basis of the Fair Market Value of a share of Stock on the date of exercise of the SAR. For purposes of Section 7, an SAR shall be deemed exercised on the date on which the Company receives notice of exercise from the Participant or as otherwise provided in Section 7.5.

7.5 Deemed Exercise of SARs. If, on the date on which an SAR would otherwise terminate or expire, the SAR by its terms remains exercisable immediately prior to such termination or expiration and, if so exercised, would result in a payment to the holder of such SAR, then any portion of such SAR which has not previously been exercised shall automatically be deemed to be exercised as of such date with respect to such portion.

7.6 Effect of Termination of Service. Subject to earlier termination of the SAR as otherwise provided herein and unless otherwise provided by the Committee, an SAR shall be exercisable after a Participant's termination of Service only to the extent and during the applicable time period determined in accordance with Section 6.4 (treating the SAR as if it were an Option) and thereafter shall terminate.

7.7 Transferability of SARs. During the lifetime of the Participant, an SAR shall be exercisable only by the Participant or the Participant's guardian or legal representative. An SAR shall not be subject in any manner to anticipation, alienation, sale, exchange, transfer, assignment, pledge, encumbrance, or garnishment by creditors of the Participant or the Participant's beneficiary, except transfer by will or by the laws of descent and distribution. Notwithstanding the foregoing, to the extent permitted by the Committee, in its discretion, and set forth in the Award Agreement evidencing such Award, a Tandem SAR related to a Nonstatutory Stock Option or a Freestanding SAR shall be assignable or transferable subject to the applicable limitations, if any, described in the General Instructions to Form S-8 under the Securities Act.

8. **RESTRICTED STOCK AWARDS.**

Restricted Stock Awards shall be evidenced by Award Agreements specifying whether the Award is a Restricted Stock Bonus or a Restricted Stock Purchase Right and the number of shares of Stock subject to the Award, in such form as the Committee shall from time to time establish. Award Agreements evidencing Restricted Stock Awards may incorporate all or any of the terms of the Plan by reference and shall comply with and be subject to the following terms and conditions:

8.1 **Types of Restricted Stock Awards Authorized.** Restricted Stock Awards may be granted in the form of either a Restricted Stock Bonus or a Restricted Stock Purchase Right. Restricted Stock Awards may be granted upon such conditions as the Committee shall determine, including, without limitation, upon the attainment of one or more Performance Goals described in Section 10.4. If either the grant of or satisfaction of Vesting Conditions applicable to a Restricted Stock Award is to be contingent upon the attainment of one or more Performance Goals, the Committee shall follow procedures substantially equivalent to those set forth in Sections 10.3 through 10.5(a).

8.2 **Purchase Price.** The purchase price for shares of Stock issuable under each Restricted Stock Purchase Right shall be established by the Committee in its discretion. No monetary payment (other than applicable tax withholding) shall be required as a condition of receiving shares of Stock pursuant to a Restricted Stock Bonus, the consideration for which shall be services actually rendered to a Participating Company or for its benefit. Notwithstanding the foregoing, if required by applicable state corporate law, the Participant shall furnish consideration in the form of cash or past services rendered to a Participating Company or for its benefit having a value not less than the par value of the shares of Stock subject to a Restricted Stock Award.

8.3 **Purchase Period.** A Restricted Stock Purchase Right shall be exercisable within a period established by the Committee, which shall in no event exceed thirty (30) days from the effective date of the grant of the Restricted Stock Purchase Right.

8.4 **Payment of Purchase Price.** Except as otherwise provided below, payment of the purchase price for the number of shares of Stock being purchased pursuant to any Restricted Stock Purchase Right shall be made (a) in cash, by check or in cash equivalent, (b) by such other consideration as may be approved by the Committee from time to time to the extent permitted by applicable law, or (c) by any combination thereof.

8.5 **Vesting and Restrictions on Transfer.** Shares issued pursuant to any Restricted Stock Award may (but need not) be made subject to Vesting Conditions based upon the satisfaction of such Service requirements, conditions, restrictions or performance criteria, including, without limitation, Performance Goals as described in Section 10.4, as shall be established by the Committee and set forth in the Award Agreement evidencing such Award. During any period in which shares acquired pursuant to a Restricted Stock Award remain subject to Vesting Conditions, such shares may not be sold, exchanged, transferred, pledged, assigned or otherwise disposed of other than pursuant to an Ownership Change Event or as provided in Section 8.8. The Committee, in its discretion, may provide in any Award Agreement evidencing

a Restricted Stock Award that, if the satisfaction of Vesting Conditions with respect to any shares subject to such Restricted Stock Award would otherwise occur on a day on which the sale of such shares would violate the provisions of the Insider Trading Policy, then satisfaction of the Vesting Conditions automatically shall be determined on the next trading day on which the sale of such shares would not violate the Insider Trading Policy. Upon request by the Company, each Participant shall execute any agreement evidencing such transfer restrictions prior to the receipt of shares of Stock hereunder and shall promptly present to the Company any and all certificates representing shares of Stock acquired hereunder for the placement on such certificates of appropriate legends evidencing any such transfer restrictions.

8.6 Voting Rights; Dividends and Distributions. Except as provided in this Section, Section 8.5 and any Award Agreement, during any period in which shares acquired pursuant to a Restricted Stock Award remain subject to Vesting Conditions, the Participant shall have all of the rights of a stockholder of the Company holding shares of Stock, including the right to vote such shares and to receive all dividends and other distributions paid with respect to such shares. However, in the event of a dividend or distribution paid in shares of Stock or other property or any other adjustment made upon a change in the capital structure of the Company as described in Section 4.4, any and all new, substituted or additional securities or other property (other than normal cash dividends) to which the Participant is entitled by reason of the Participant's Restricted Stock Award shall be immediately subject to the same Vesting Conditions as the shares subject to the Restricted Stock Award with respect to which such dividends or distributions were paid or adjustments were made.

8.7 Effect of Termination of Service. Unless otherwise provided by the Committee in the Award Agreement evidencing a Restricted Stock Award, if a Participant's Service terminates for any reason, whether voluntary or involuntary (including the Participant's death or disability), then (a) the Company shall have the option to repurchase for the purchase price paid by the Participant any shares acquired by the Participant pursuant to a Restricted Stock Purchase Right which remain subject to Vesting Conditions as of the date of the Participant's termination of Service and (b) the Participant shall forfeit to the Company any shares acquired by the Participant pursuant to a Restricted Stock Bonus which remain subject to Vesting Conditions as of the date of the Participant's termination of Service. The Company shall have the right to assign at any time any repurchase right it may have, whether or not such right is then exercisable, to one or more persons as may be selected by the Company.

8.8 Nontransferability of Restricted Stock Award Rights. Rights to acquire shares of Stock pursuant to a Restricted Stock Award shall not be subject in any manner to anticipation, alienation, sale, exchange, transfer, assignment, pledge, encumbrance or garnishment by creditors of the Participant or the Participant's beneficiary, except transfer by will or the laws of descent and distribution. All rights with respect to a Restricted Stock Award granted to a Participant hereunder shall be exercisable during his or her lifetime only by such Participant or the Participant's guardian or legal representative.

9. RESTRICTED STOCK UNIT AWARDS.

Restricted Stock Unit Awards shall be evidenced by Award Agreements specifying the number of Restricted Stock Units subject to the Award, in such form as the

Committee shall from time to time establish. Award Agreements evidencing Restricted Stock Units may incorporate all or any of the terms of the Plan by reference and shall comply with and be subject to the following terms and conditions:

9.1 **Grant of Restricted Stock Unit Awards.** Restricted Stock Unit Awards may be granted upon such conditions as the Committee shall determine, including, without limitation, upon the attainment of one or more Performance Goals described in Section 10.4. If either the grant of a Restricted Stock Unit Award or the Vesting Conditions with respect to such Award is to be contingent upon the attainment of one or more Performance Goals, the Committee shall follow procedures substantially equivalent to those set forth in Sections 10.3 through 10.5(a).

9.2 **Purchase Price.** No monetary payment (other than applicable tax withholding, if any) shall be required as a condition of receiving a Restricted Stock Unit Award, the consideration for which shall be services actually rendered to a Participating Company or for its benefit. Notwithstanding the foregoing, if required by applicable state corporate law, the Participant shall furnish consideration in the form of cash or past services rendered to a Participating Company or for its benefit having a value not less than the par value of the shares of Stock issued upon settlement of the Restricted Stock Unit Award.

9.3 **Vesting.** Restricted Stock Unit Awards may (but need not) be made subject to Vesting Conditions based upon the satisfaction of such Service requirements, conditions, restrictions or performance criteria, including, without limitation, Performance Goals as described in Section 10.4, as shall be established by the Committee and set forth in the Award Agreement evidencing such Award.

9.4 **Voting Rights, Dividend Equivalent Rights and Distributions.** Participants shall have no voting rights with respect to shares of Stock represented by Restricted Stock Units until the date of the issuance of such shares (as evidenced by the appropriate entry on the books of the Company or of a duly authorized transfer agent of the Company). However, the Committee, in its discretion, may provide in the Award Agreement evidencing any Restricted Stock Unit Award that the Participant shall be entitled to Dividend Equivalent Rights with respect to the payment of cash dividends on Stock during the period beginning on the date such Award is granted and ending, with respect to each share subject to the Award, on the earlier of the date the Award is settled or the date on which it is terminated. Such Dividend Equivalent Rights, if any, shall be paid by crediting the Participant with additional whole Restricted Stock Units as of the date of payment of such cash dividends on Stock. The number of additional Restricted Stock Units (rounded to the nearest whole number) to be so credited shall be determined by dividing (a) the amount of cash dividends paid on such date with respect to the number of shares of Stock represented by the Restricted Stock Units previously credited to the Participant by (b) the Fair Market Value per share of Stock on such date. Such additional Restricted Stock Units shall be subject to the same terms and conditions and shall be settled in the same manner and at the same time as the Restricted Stock Units originally subject to the Restricted Stock Unit Award. In the event of a dividend or distribution paid in shares of Stock or other property or any other adjustment made upon a change in the capital structure of the Company as described in Section 4.4, appropriate adjustments shall be made in the Participant's Restricted Stock Unit Award so that it represents the right to receive upon settlement any and all

new, substituted or additional securities or other property (other than normal cash dividends) to which the Participant would be entitled by reason of the shares of Stock issuable upon settlement of the Award, and all such new, substituted or additional securities or other property shall be immediately subject to the same Vesting Conditions as are applicable to the Award.

9.5 Effect of Termination of Service. Unless otherwise provided by the Committee and set forth in the Award Agreement evidencing a Restricted Stock Unit Award, if a Participant's Service terminates for any reason, whether voluntary or involuntary (including the Participant's death or disability), then the Participant shall forfeit to the Company any Restricted Stock Units pursuant to the Award which remain subject to Vesting Conditions as of the date of the Participant's termination of Service.

9.6 Settlement of Restricted Stock Unit Awards. The Company shall issue to a Participant on the date on which Restricted Stock Units subject to the Participant's Restricted Stock Unit Award vest or on such other date determined by the Committee, in its discretion, and set forth in the Award Agreement one (1) share of Stock (and/or any other new, substituted or additional securities or other property pursuant to an adjustment described in Section 9.4) for each Restricted Stock Unit then becoming vested or otherwise to be settled on such date, subject to the withholding of applicable taxes, if any. If permitted by the Committee, the Participant may elect, consistent with the requirements of Section 409A, to defer receipt of all or any portion of the shares of Stock or other property otherwise issuable to the Participant pursuant to this Section, and such deferred issuance date(s) and amount(s) elected by the Participant shall be set forth in the Award Agreement. Notwithstanding the foregoing, the Committee, in its discretion, may provide for settlement of any Restricted Stock Unit Award by payment to the Participant in cash of an amount equal to the Fair Market Value on the payment date of the shares of Stock or other property otherwise issuable to the Participant pursuant to this Section. The Committee, in its discretion, may provide in any Award Agreement evidencing a Restricted Stock Unit Award that, if the satisfaction of Vesting Conditions with respect to any shares subject to the Award would otherwise occur on a day on which the sale of such shares would violate the provisions of the Insider Trading Policy, then the satisfaction of the Vesting Conditions automatically shall be determined on the first to occur of (a) the next trading day on which the sale of such shares would not violate the Insider Trading Policy or (b) the later of (i) last day of the calendar year in which the original vesting date occurred or (ii) the last day of the Company's taxable year in which the original vesting date occurred.

9.7 Nontransferability of Restricted Stock Unit Awards. The right to receive shares pursuant to a Restricted Stock Unit Award shall not be subject in any manner to anticipation, alienation, sale, exchange, transfer, assignment, pledge, encumbrance, or garnishment by creditors of the Participant or the Participant's beneficiary, except transfer by will or by the laws of descent and distribution. All rights with respect to a Restricted Stock Unit Award granted to a Participant hereunder shall be exercisable during his or her lifetime only by such Participant or the Participant's guardian or legal representative.

10. PERFORMANCE AWARDS.

Performance Awards shall be evidenced by Award Agreements in such form as the Committee shall from time to time establish. Award Agreements evidencing Performance

Awards may incorporate all or any of the terms of the Plan by reference and shall comply with and be subject to the following terms and conditions:

10.1 Types of Performance Awards Authorized. Performance Awards may be granted in the form of either Performance Shares or Performance Units. Each Award Agreement evidencing a Performance Award shall specify the number of Performance Shares or Performance Units subject thereto, the Performance Award Formula, the Performance Goal(s) and Performance Period applicable to the Award, and the other terms, conditions and restrictions of the Award.

10.2 Initial Value of Performance Shares and Performance Units. Unless otherwise provided by the Committee in granting a Performance Award, each Performance Share shall have an initial monetary value equal to the Fair Market Value of one (1) share of Stock, subject to adjustment as provided in Section 4.4, on the effective date of grant of the Performance Share, and each Performance Unit shall have an initial monetary value established by the Committee at the time of grant. The final value payable to the Participant in settlement of a Performance Award determined on the basis of the applicable Performance Award Formula will depend on the extent to which Performance Goals established by the Committee are attained within the applicable Performance Period established by the Committee.

10.3 Establishment of Performance Period, Performance Goals and Performance Award Formula. In granting each Performance Award, the Committee shall establish in writing the applicable Performance Period, Performance Award Formula and one or more Performance Goals which, when measured at the end of the Performance Period, shall determine on the basis of the Performance Award Formula the final value of the Performance Award to be paid to the Participant. Unless otherwise permitted in compliance with the requirements under Section 162(m) with respect to each Performance Award intended to result in the payment of Performance-Based Compensation, the Committee shall establish the Performance Goal(s) and Performance Award Formula applicable to each Performance Award no later than the earlier of (a) the date ninety (90) days after the commencement of the applicable Performance Period or (b) the date on which 25% of the Performance Period has elapsed, and, in any event, at a time when the outcome of the Performance Goals remains substantially uncertain. Once established, the Performance Goals and Performance Award Formula applicable to a Covered Employee shall not be changed during the Performance Period. The Company shall notify each Participant granted a Performance Award of the terms of such Award, including the Performance Period, Performance Goal(s) and Performance Award Formula.

10.4 Measurement of Performance Goals. Performance Goals shall be established by the Committee on the basis of targets to be attained (“*Performance Targets*”) with respect to one or more measures of business or financial performance (each, a “*Performance Measure*”), subject to the following:

(a) **Performance Measures.** Performance Measures shall have the same meanings as used in the Company’s financial statements, or, if such terms are not used in the Company’s financial statements, they shall have the meaning applied pursuant to generally accepted accounting principles, or as used generally in the Company’s industry. Performance Measures shall be calculated with respect to the Company and each Subsidiary Corporation

consolidated therewith for financial reporting purposes or such division or other business unit as may be selected by the Committee. For purposes of the Plan, the Performance Measures applicable to a Performance Award shall be calculated in accordance with generally accepted accounting principles, if applicable, but prior to the accrual or payment of any Performance Award for the same Performance Period and excluding the effect (whether positive or negative) of any change in accounting standards or any extraordinary, unusual or nonrecurring item, as determined by the Committee, occurring after the establishment of the Performance Goals applicable to the Performance Award. Each such adjustment, if any, shall be made solely for the purpose of providing a consistent basis from period to period for the calculation of Performance Measures in order to prevent the dilution or enlargement of the Participant's rights with respect to a Performance Award. Performance Measures may be one or more of the following, as determined by the Committee:

- (i) revenue;
- (ii) sales;
- (iii) expenses;
- (iv) operating income;
- (v) gross margin;
- (vi) operating margin;
- (vii) earnings before any one or more of: stock-based compensation expense, interest, taxes, depreciation and amortization;
- (viii) pre-tax profit;
- (ix) net operating income;
- (x) net income;
- (xi) economic value added;
- (xii) free cash flow;
- (xiii) operating cash flow;
- (xiv) balance of cash, cash equivalents and marketable securities;
- (xv) stock price;
- (xvi) earnings per share;
- (xvii) return on stockholder equity;
- (xviii) return on capital;

- (xix) return on assets;
- (xx) return on investment;
- (xxi) employee satisfaction;
- (xxii) employee retention;
- (xxiii) market share;
- (xxiv) customer satisfaction;
- (xxv) product development;
- (xxvi) research and development expenses;
- (xxvii) completion of an identified special project; and
- (xxviii) completion of a joint venture or other corporate transaction.

(b) **Performance Targets.** Performance Targets may include a minimum, maximum, target level and intermediate levels of performance, with the final value of a Performance Award determined under the applicable Performance Award Formula by the level attained during the applicable Performance Period. A Performance Target may be stated as an absolute value or as a value determined relative to an index, budget or other standard selected by the Committee.

10.5 Settlement of Performance Awards.

(a) **Determination of Final Value.** As soon as practicable following the completion of the Performance Period applicable to a Performance Award, the Committee shall certify in writing the extent to which the applicable Performance Goals have been attained and the resulting final value of the Award earned by the Participant and to be paid upon its settlement in accordance with the applicable Performance Award Formula.

(b) **Discretionary Adjustment of Award Formula.** In its discretion, the Committee may, either at the time it grants a Performance Award or at any time thereafter, provide for the positive or negative adjustment of the Performance Award Formula applicable to a Performance Award granted to any Participant who is not a Covered Employee to reflect such Participant's individual performance in his or her position with the Company or such other factors as the Committee may determine. If permitted under a Covered Employee's Award Agreement, the Committee shall have the discretion, on the basis of such criteria as may be established by the Committee, to reduce some or all of the value of the Performance Award that would otherwise be paid to the Covered Employee upon its settlement notwithstanding the attainment of any Performance Goal and the resulting value of the Performance Award determined in accordance with the Performance Award Formula. No such reduction may result in an increase in the amount payable upon settlement of another Participant's Performance Award that is intended to result in Performance-Based Compensation.

(c) **Effect of Leaves of Absence.** Unless otherwise required by law or a Participant's Award Agreement, payment of the final value, if any, of a Performance Award held by a Participant who has taken in excess of thirty (30) days in unpaid leaves of absence during a Performance Period shall be prorated on the basis of the number of days of the Participant's Service during the Performance Period during which the Participant was not on an unpaid leave of absence.

(d) **Notice to Participants.** As soon as practicable following the Committee's determination and certification in accordance with Sections 10.5(a) and (b), the Company shall notify each Participant of the determination of the Committee.

(e) **Payment in Settlement of Performance Awards.** As soon as practicable following the Committee's determination and certification in accordance with Sections 10.5(a) and (b), but in any event within the Short-Term Deferral Period described in Section 16.1 (except as otherwise provided below or consistent with the requirements of Section 409A), payment shall be made to each eligible Participant (or such Participant's legal representative or other person who acquired the right to receive such payment by reason of the Participant's death) of the final value of the Participant's Performance Award. Payment of such amount shall be made in cash, shares of Stock, or a combination thereof as determined by the Committee. Unless otherwise provided in the Award Agreement evidencing a Performance Award, payment shall be made in a lump sum. If permitted by the Committee, the Participant may elect, consistent with the requirements of Section 409A, to defer receipt of all or any portion of the payment to be made to Participant pursuant to this Section, and such deferred payment date(s) elected by the Participant shall be set forth in the Award Agreement. If any payment is to be made on a deferred basis, the Committee may, but shall not be obligated to, provide for the payment during the deferral period of Dividend Equivalent Rights or interest.

(f) **Provisions Applicable to Payment in Shares.** If payment is to be made in shares of Stock, the number of such shares shall be determined by dividing the final value of the Performance Award by the Fair Market Value of a share of Stock determined by the method specified in the Award Agreement. Shares of Stock issued in payment of any Performance Award may be fully vested and freely transferable shares or may be shares of Stock subject to Vesting Conditions as provided in Section 8.5. Any shares subject to Vesting Conditions shall be evidenced by an appropriate Award Agreement and shall be subject to the provisions of Sections 8.5 through 8.8 above.

10.6 Voting Rights; Dividend Equivalent Rights and Distributions. Participants shall have no voting rights with respect to shares of Stock represented by Performance Share Awards until the date of the issuance of such shares, if any (as evidenced by the appropriate entry on the books of the Company or of a duly authorized transfer agent of the Company). However, the Committee, in its discretion, may provide in the Award Agreement evidencing any Performance Share Award that the Participant shall be entitled to Dividend Equivalent Rights with respect to the payment of cash dividends on Stock during the period beginning on the date the Award is granted and ending, with respect to each share subject to the Award, on the earlier of the date on which the Performance Shares are settled or the date on which they are forfeited. Such Dividend Equivalent Rights, if any, shall be credited to the Participant in the form of additional whole Performance Shares as of the date of payment of such

cash dividends on Stock. The number of additional Performance Shares (rounded to the nearest whole number) to be so credited shall be determined by dividing (a) the amount of cash dividends paid on the dividend payment date with respect to the number of shares of Stock represented by the Performance Shares previously credited to the Participant by (b) the Fair Market Value per share of Stock on such date. Dividend Equivalent Rights may be paid currently or may be accumulated and paid to the extent that Performance Shares become nonforfeitable, as determined by the Committee. Settlement of Dividend Equivalent Rights may be made in cash, shares of Stock, or a combination thereof as determined by the Committee, and may be paid on the same basis as settlement of the related Performance Share as provided in Section 10.5. Dividend Equivalent Rights shall not be paid with respect to Performance Units. In the event of a dividend or distribution paid in shares of Stock or other property or any other adjustment made upon a change in the capital structure of the Company as described in Section 4.4, appropriate adjustments shall be made in the Participant's Performance Share Award so that it represents the right to receive upon settlement any and all new, substituted or additional securities or other property (other than normal cash dividends) to which the Participant would be entitled by reason of the shares of Stock issuable upon settlement of the Performance Share Award, and all such new, substituted or additional securities or other property shall be immediately subject to the same Performance Goals as are applicable to the Award.

10.7 Effect of Termination of Service. Unless otherwise provided by the Committee and set forth in the Award Agreement evidencing a Performance Award, the effect of a Participant's termination of Service on the Performance Award shall be as follows:

(a) **Death or Disability.** If the Participant's Service terminates because of the death or Disability of the Participant before the completion of the Performance Period applicable to the Performance Award, the final value of the Participant's Performance Award shall be determined by the extent to which the applicable Performance Goals have been attained with respect to the entire Performance Period and shall be prorated based on the number of months of the Participant's Service during the Performance Period. Payment shall be made following the end of the Performance Period in any manner permitted by Section 10.5.

(b) **Other Termination of Service.** If the Participant's Service terminates for any reason except death or Disability before the completion of the Performance Period applicable to the Performance Award, such Award shall be forfeited in its entirety; provided, however, that in the event of an involuntary termination of the Participant's Service, the Committee, in its discretion, may waive the automatic forfeiture of all or any portion of any such Award (e.g., by determining the final value of the Performance Award in the manner provided by Section 10.7(a)) and provide for payment following the end of the Performance Period in any manner permitted by Section 10.5.

10.8 Nontransferability of Performance Awards. Prior to settlement in accordance with the provisions of the Plan, no Performance Award shall be subject in any manner to anticipation, alienation, sale, exchange, transfer, assignment, pledge, encumbrance, or garnishment by creditors of the Participant or the Participant's beneficiary, except transfer by will or by the laws of descent and distribution. All rights with respect to a Performance Award granted to a Participant hereunder shall be exercisable during his or her lifetime only by such Participant or the Participant's guardian or legal representative.

11. CASH-BASED AWARDS AND OTHER STOCK-BASED AWARDS.

Cash-Based Awards and Other Stock-Based Awards shall be evidenced by Award Agreements in such form as the Committee shall from time to time establish. Award Agreements evidencing Cash-Based Awards and Other Stock-Based Awards may incorporate all or any of the terms of the Plan by reference and shall comply with and be subject to the following terms and conditions:

11.1 **Grant of Cash-Based Awards.** Subject to the provisions of the Plan, the Committee, at any time and from time to time, may grant Cash-Based Awards to Participants in such amounts and upon such terms and conditions, including the achievement of performance criteria, as the Committee may determine.

11.2 **Grant of Other Stock-Based Awards.** The Committee may grant other types of equity-based or equity-related Awards not otherwise described by the terms of this Plan (including the grant or offer for sale of unrestricted securities, stock-equivalent units, stock appreciation units, securities or debentures convertible into common stock or other forms determined by the Committee) in such amounts and subject to such terms and conditions as the Committee shall determine. Such Awards may involve the transfer of actual shares of Stock to Participants, or payment in cash or otherwise of amounts based on the value of Stock and may include, without limitation, Awards designed to comply with or take advantage of the applicable local laws of jurisdictions other than the United States.

11.3 **Value of Cash-Based and Other Stock-Based Awards.** Each Cash-Based Award shall specify a monetary payment amount or payment range as determined by the Committee. Each Other Stock-Based Award shall be expressed in terms of shares of Stock or units based on such shares of Stock, as determined by the Committee. The Committee may require the satisfaction of such Service requirements, conditions, restrictions or performance criteria, including, without limitation, Performance Goals as described in Section 10.4, as shall be established by the Committee and set forth in the Award Agreement evidencing such Award. If the Committee exercises its discretion to establish performance criteria, the final value of Cash-Based Awards or Other Stock-Based Awards that will be paid to the Participant will depend on the extent to which the performance criteria are met. The establishment of performance criteria with respect to the grant or vesting of any Cash-Based Award or Other Stock-Based Award intended to result in Performance-Based Compensation shall follow procedures substantially equivalent to those applicable to Performance Awards set forth in Section 10.

11.4 **Payment or Settlement of Cash-Based Awards and Other Stock-Based Awards.** Payment or settlement, if any, with respect to a Cash-Based Award or an Other Stock-Based Award shall be made in accordance with the terms of the Award, in cash, shares of Stock or other securities or any combination thereof as the Committee determines. The determination and certification of the final value with respect to any Cash-Based Award or Other Stock-Based Award intended to result in Performance-Based Compensation shall comply with the requirements applicable to Performance Awards set forth in Section 10. To the extent applicable, payment or settlement with respect to each Cash-Based Award and Other Stock-Based Award shall be made in compliance with the requirements of Section 409A.

11.5 Voting Rights; Dividend Equivalent Rights and Distributions. Participants shall have no voting rights with respect to shares of Stock represented by Other Stock-Based Awards until the date of the issuance of such shares of Stock (as evidenced by the appropriate entry on the books of the Company or of a duly authorized transfer agent of the Company), if any, in settlement of such Award. However, the Committee, in its discretion, may provide in the Award Agreement evidencing any Other Stock-Based Award that the Participant shall be entitled to Dividend Equivalent Rights with respect to the payment of cash dividends on Stock during the period beginning on the date such Award is granted and ending, with respect to each share subject to the Award, on the earlier of the date the Award is settled or the date on which it is terminated. Such Dividend Equivalent Rights, if any, shall be paid in accordance with the provisions set forth in Section 9.4. Dividend Equivalent Rights shall not be granted with respect to Cash-Based Awards.

11.6 Effect of Termination of Service. Each Award Agreement evidencing a Cash-Based Award or Other Stock-Based Award shall set forth the extent to which the Participant shall have the right to retain such Award following termination of the Participant's Service. Such provisions shall be determined in the discretion of the Committee, need not be uniform among all Cash-Based Awards or Other Stock-Based Awards, and may reflect distinctions based on the reasons for termination, subject to the requirements of Section 409A, if applicable.

11.7 Nontransferability of Cash-Based Awards and Other Stock-Based Awards. Prior to the payment or settlement of a Cash-Based Award or Other Stock-Based Award, the Award shall not be subject in any manner to anticipation, alienation, sale, exchange, transfer, assignment, pledge, encumbrance, or garnishment by creditors of the Participant or the Participant's beneficiary, except transfer by will or by the laws of descent and distribution. The Committee may impose such additional restrictions on any shares of Stock issued in settlement of Cash-Based Awards and Other Stock-Based Awards as it may deem advisable, including, without limitation, minimum holding period requirements, restrictions under applicable federal securities laws, under the requirements of any stock exchange or market upon which such shares of Stock are then listed and/or traded, or under any state securities laws applicable to such shares of Stock.

12. NONEMPLOYEE DIRECTOR AWARDS.

From time to time, the Board or the Committee shall set the amount(s) and type(s) of Nonemployee Director Awards that shall be granted to all Nonemployee Directors on a periodic, nondiscriminatory basis pursuant to the Plan, as well as the additional amount(s) and type(s) of Nonemployee Director Awards, if any, to be awarded, also on a periodic, nondiscriminatory basis, in consideration of one or more of the following: (a) the initial election or appointment of an individual to the Board as a Nonemployee Director, (b) a Nonemployee Director's service as Chairman or Lead Director of the Board, (c) a Nonemployee Director's service as the chairman of a committee of the Board, and (d) a Nonemployee Director's service other than as the chairman of a committee of the Board. The terms and conditions of each Nonemployee Director Award shall comply with the applicable provisions of the Plan. Subject to the foregoing, the Board or the Committee shall grant Nonemployee Director Awards having such terms and conditions as it shall from time to time determine.

13. STANDARD FORMS OF AWARD AGREEMENT.

13.1 **Award Agreements.** Each Award shall comply with and be subject to the terms and conditions set forth in the appropriate form of Award Agreement approved by the Committee and as amended from time to time. No Award or purported Award shall be a valid and binding obligation of the Company unless evidenced by a fully executed Award Agreement. Any Award Agreement may consist of an appropriate form of Notice of Grant and a form of Agreement incorporated therein by reference, or such other form or forms, including electronic media, as the Committee may approve from time to time.

13.2 **Authority to Vary Terms.** The Committee shall have the authority from time to time to vary the terms of any standard form of Award Agreement either in connection with the grant or amendment of an individual Award or in connection with the authorization of a new standard form or forms; provided, however, that the terms and conditions of any such new, revised or amended standard form or forms of Award Agreement are not inconsistent with the terms of the Plan.

14. CHANGE IN CONTROL.

14.1 **Effect of Change in Control on Awards.** Subject to the requirements and limitations of Section 409A, if applicable, the Committee may provide for any one or more of the following:

(a) **Accelerated Vesting.** In its discretion, the Committee may provide in the grant of any Award or at any other time may take such action as it deems appropriate to provide for acceleration of the exercisability, vesting and/or settlement in connection with a Change in Control of each or any outstanding Award or portion thereof and shares acquired pursuant thereto upon such conditions, including termination of the Participant's Service prior to, upon, or following such Change in Control, and to such extent as the Committee shall determine.

(b) **Assumption, Continuation or Substitution.** In the event of a Change in Control, the surviving, continuing, successor, or purchasing corporation or other business entity or parent thereof, as the case may be (the "**Acquiror**"), may, without the consent

of any Participant, either assume or continue the Company's rights and obligations under each or any Award or portion thereof outstanding immediately prior to the Change in Control or substitute for each or any such outstanding Award or portion thereof a substantially equivalent award with respect to the Acquiror's stock, as applicable. For purposes of this Section, if so determined by the Committee in its discretion, an Award denominated in shares of Stock shall be deemed assumed if, following the Change in Control, the Award confers the right to receive, subject to the terms and conditions of the Plan and the applicable Award Agreement, for each share of Stock subject to the Award immediately prior to the Change in Control, the consideration (whether stock, cash, other securities or property or a combination thereof) to which a holder of a share of Stock on the effective date of the Change in Control was entitled; provided, however, that if such consideration is not solely common stock of the Acquiror, the Committee may, with the consent of the Acquiror, provide for the consideration to be received upon the exercise or settlement of the Award, for each share of Stock subject to the Award, to consist solely of common stock of the Acquiror equal in Fair Market Value to the per share consideration received by holders of Stock pursuant to the Change in Control. Any Award or portion thereof which is neither assumed or continued by the Acquiror in connection with the Change in Control nor exercised or settled as of the time of consummation of the Change in Control shall terminate and cease to be outstanding effective as of the time of consummation of the Change in Control.

(c) **Cash-Out of Outstanding Stock-Based Awards.** The Committee may, in its discretion and without the consent of any Participant, determine that, upon the occurrence of a Change in Control, each or any Award denominated in shares of Stock or portion thereof outstanding immediately prior to the Change in Control and not previously exercised or settled shall be canceled in exchange for a payment with respect to each vested share (and each unvested share, if so determined by the Committee) of Stock subject to such canceled Award in (i) cash, (ii) stock of the Company or of a corporation or other business entity a party to the Change in Control, or (iii) other property which, in any such case, shall be in an amount having a Fair Market Value equal to the Fair Market Value of the consideration to be paid per share of Stock in the Change in Control, reduced (but not below zero) by the exercise or purchase price per share, if any, under such Award. In the event such determination is made by the Committee, an Award having an exercise or purchase price per share equal to or greater than the Fair Market Value of the consideration to be paid per share of Stock in the Change in Control may be canceled without payment of consideration to the holder thereof. Payment pursuant to this Section (reduced by applicable withholding taxes, if any) shall be made to Participants in respect of the vested portions of their canceled Awards as soon as practicable following the date of the Change in Control and in respect of the unvested portions of their canceled Awards in accordance with the vesting schedules applicable to such Awards.

14.2 Effect of Change in Control on Nonemployee Director Awards. Subject to the requirements and limitations of Section 409A, if applicable, in the event of a Change in Control, each outstanding Nonemployee Director Award shall become immediately exercisable and vested in full and, except to the extent assumed, continued or substituted for pursuant to Section 14.1(b), shall be settled effective immediately prior to the time of consummation of the Change in Control.

14.3 Federal Excise Tax Under Section 4999 of the Code.

(a) **Excess Parachute Payment.** In the event that any acceleration of vesting pursuant to an Award and any other payment or benefit received or to be received by a Participant would subject the Participant to any excise tax pursuant to Section 4999 of the Code due to the characterization of such acceleration of vesting, payment or benefit as an “excess parachute payment” under Section 280G of the Code, the Participant may elect to reduce the amount of any acceleration of vesting called for under the Award in order to avoid such characterization.

(b) **Determination by Independent Accountants.** To aid the Participant in making any election called for under Section 14.3(a), no later than the date of the occurrence of any event that might reasonably be anticipated to result in an “excess parachute payment” to the Participant as described in Section 14.3(a), the Company shall request a determination in writing by independent public accountants selected by the Company (the “**Accountants**”). As soon as practicable thereafter, the Accountants shall determine and report to the Company and the Participant the amount of such acceleration of vesting, payments and benefits which would produce the greatest after-tax benefit to the Participant. For the purposes of such determination, the Accountants may rely on reasonable, good faith interpretations concerning the application of Sections 280G and 4999 of the Code. The Company and the Participant shall furnish to the Accountants such information and documents as the Accountants may reasonably request in order to make their required determination. The Company shall bear all fees and expenses the Accountants may reasonably charge in connection with their services contemplated by this Section.

15. COMPLIANCE WITH SECURITIES LAW.

The grant of Awards and the issuance of shares of Stock pursuant to any Award shall be subject to compliance with all applicable requirements of federal, state and foreign law with respect to such securities and the requirements of any stock exchange or market system upon which the Stock may then be listed. In addition, no Award may be exercised or shares issued pursuant to an Award unless (a) a registration statement under the Securities Act shall at the time of such exercise or issuance be in effect with respect to the shares issuable pursuant to the Award, or (b) in the opinion of legal counsel to the Company, the shares issuable pursuant to the Award may be issued in accordance with the terms of an applicable exemption from the registration requirements of the Securities Act. The inability of the Company to obtain from any regulatory body having jurisdiction the authority, if any, deemed by the Company’s legal counsel to be necessary to the lawful issuance and sale of any shares hereunder shall relieve the Company of any liability in respect of the failure to issue or sell such shares as to which such requisite authority shall not have been obtained. As a condition to issuance of any Stock, the Company may require the Participant to satisfy any qualifications that may be necessary or appropriate, to evidence compliance with any applicable law or regulation and to make any representation or warranty with respect thereto as may be requested by the Company.

16. COMPLIANCE WITH SECTION 409A.

16.1 **Awards Subject to Section 409A.** The Company intends that Awards granted pursuant to the Plan shall either be exempt from or comply with Section 409A, and the Plan shall be so construed. The provisions of this Section 16 shall apply to any Award or portion thereof that constitutes or provides for payment of Section 409A Deferred Compensation. Such Awards may include, without limitation:

(a) A Nonstatutory Stock Option or SAR that includes any feature for the deferral of compensation other than the deferral of recognition of income until the later of (i) the exercise or disposition of the Award or (ii) the time the stock acquired pursuant to the exercise of the Award first becomes substantially vested.

(b) Any Restricted Stock Unit Award, Performance Award, Cash-Based Award or Other Stock-Based Award that either (i) provides by its terms for settlement of all or any portion of the Award at a time or upon an event that will or may occur later than the end of the Short-Term Deferral Period (as defined below) or (ii) permits the Participant granted the Award to elect one or more dates or events upon which the Award will be settled after the end of the Short-Term Deferral Period.

Subject to the provisions of Section 409A, the term “*Short-Term Deferral Period*” means the 2½ month period ending on the later of (i) the 15th day of the third month following the end of the Participant’s taxable year in which the right to payment under applicable portion of the Award is no longer subject to a substantial risk of forfeiture or (ii) the 15th day of the third month following the end of the Company’s taxable year in which the right to payment under the applicable portion of the Award is no longer subject to a substantial risk of forfeiture. For this purpose, the term “substantial risk of forfeiture” shall have the meaning provided by Section 409A.

16.2 **Deferral and/or Distribution Elections.** Except as otherwise permitted or required by Section 409A, the following rules shall apply to any compensation deferral and/or payment elections (each, an “*Election*”) that may be permitted or required by the Committee pursuant to an Award providing Section 409A Deferred Compensation:

(a) Elections must be in writing and specify the amount of the payment in settlement of an Award being deferred, as well as the time and form of payment as permitted by this Plan.

(b) Elections shall be made by the end of the Participant’s taxable year prior to the year in which services commence for which an Award may be granted to such Participant.

(c) Elections shall continue in effect until a written revocation or change in Election is received by the Company, except that a written revocation or change in Election must be received by the Company prior to the last day for making the Election determined in accordance with paragraph (b) above or as permitted by Section 16.3.

16.3 Subsequent Elections. Except as otherwise permitted or required by Section 409A, any Award providing Section 409A Deferred Compensation which permits a subsequent Election to delay the payment or change the form of payment in settlement of such Award shall comply with the following requirements:

(a) No subsequent Election may take effect until at least twelve (12) months after the date on which the subsequent Election is made.

(b) Each subsequent Election related to a payment in settlement of an Award not described in Section 16.4(a)(ii), 16.4(a)(iii) or 16.4(a)(vi) must result in a delay of the payment for a period of not less than five (5) years from the date on which such payment would otherwise have been made.

(c) No subsequent Election related to a payment pursuant to Section 16.4(a)(iv) shall be made less than twelve (12) months before the date on which such payment would otherwise have been made.

(d) Subsequent Elections shall continue in effect until a written revocation or change in the subsequent Election is received by the Company, except that a written revocation or change in a subsequent Election must be received by the Company prior to the last day for making the subsequent Election determined in accordance the preceding paragraphs of this Section 16.3.

16.4 Payment of Section 409A Deferred Compensation.

(a) ***Permissible Payments.*** Except as otherwise permitted or required by Section 409A, an Award providing Section 409A Deferred Compensation must provide for payment in settlement of the Award only upon one or more of the following:

(i) The Participant's "separation from service" (as such term is defined by Section 409A);

(ii) The Participant's becoming "disabled" (as such term is defined by Section 409A);

(iii) The Participant's death;

(iv) A time or fixed schedule that is either (i) specified by the Committee upon the grant of an Award and set forth in the Award Agreement evidencing such Award or (ii) specified by the Participant in an Election complying with the requirements of Section 16.2 or 16.3, as applicable;

(v) A change in the ownership or effective control of the Company or in the ownership of a substantial portion of the assets of the Company determined in accordance with Section 409A; or

(vi) The occurrence of an "unforeseeable emergency" (as such term is defined by Section 409A).

(b) **Required Delay in Payment to Specified Employee Pursuant to Separation from Service.** Notwithstanding any provision of the Plan or an Award Agreement to the contrary, except as otherwise permitted by Section 409A, no payment pursuant to Section 16.4(a)(i) in settlement of an Award providing for Section 409A Deferred Compensation may be made to a Participant who is a “specified employee” (as such term is defined by Section 409A) as of the date of the Participant’s separation from service before the date (the “**Delayed Payment Date**”) that is six (6) months after the date of such Participant’s separation from service, or, if earlier, the date of the Participant’s death. All such amounts that would, but for this paragraph, become payable prior to the Delayed Payment Date shall be accumulated and paid on the Delayed Payment Date.

(c) **Payment Upon Disability.** All distributions payable by reason of a Participant becoming disabled shall be paid in a lump sum or in periodic installments as established by the Participant’s Election. If the Participant has made no Election with respect to distributions upon becoming disabled, all such distributions shall be paid in a lump sum upon the determination that the Participant has become disabled.

(d) **Payment Upon Death.** If a Participant dies before complete distribution of amounts payable upon settlement of an Award subject to Section 409A, such undistributed amounts shall be distributed to his or her beneficiary under the distribution method for death established by the Participant’s Election upon receipt by the Committee of satisfactory notice and confirmation of the Participant’s death. If the Participant has made no Election with respect to distributions upon death, all such distributions shall be paid in a lump sum upon receipt by the Committee of satisfactory notice and confirmation of the Participant’s death.

(e) **Payment Upon Change in Control.** Notwithstanding any provision of the Plan or an Award Agreement to the contrary, to the extent that any amount constituting Section 409A Deferred Compensation would become payable under this Plan by reason of a Change in Control, such amount shall become payable only if the event constituting a Change in Control would also constitute a change in ownership or effective control of the Company or a change in the ownership of a substantial portion of the assets of the Company within the meaning of Section 409A.

(f) **Payment Upon Unforeseeable Emergency.** The Committee shall have the authority to provide in the Award Agreement evidencing any Award providing for Section 409A Deferred Compensation for payment in settlement of all or a portion of such Award in the event that a Participant establishes, to the satisfaction of the Committee, the occurrence of an unforeseeable emergency. In such event, the amount(s) distributed with respect to such unforeseeable emergency cannot exceed the amounts reasonably necessary to satisfy the emergency need plus amounts necessary to pay taxes reasonably anticipated as a result of such distribution(s), after taking into account the extent to which such emergency need is or may be relieved through reimbursement or compensation by insurance or otherwise, by liquidation of the Participant’s assets (to the extent the liquidation of such assets would not itself cause severe financial hardship) or by cessation of deferrals under the Award. All distributions with respect to an unforeseeable emergency shall be made in a lump sum as soon as practicable following the Committee’s determination that an unforeseeable emergency has occurred. The Committee’s decision with respect to whether an unforeseeable emergency has occurred and the manner in

which, if at all, the payment in settlement of an Award shall be altered or modified, shall be final, conclusive, and not subject to approval or appeal.

(g) ***Prohibition of Acceleration of Payments.*** Notwithstanding any provision of the Plan or an Award Agreement to the contrary, this Plan does not permit the acceleration of the time or schedule of any payment under an Award providing Section 409A Deferred Compensation, except as permitted by Section 409A.

17. **TAX WITHHOLDING.**

17.1 **Tax Withholding in General.** The Company shall have the right to deduct from any and all payments made under the Plan, or to require the Participant, through payroll withholding, cash payment or otherwise, to make adequate provision for, the federal, state, local and foreign taxes, if any, required by law to be withheld by any Participating Company with respect to an Award or the shares acquired pursuant thereto. The Company shall have no obligation to deliver shares of Stock, to release shares of Stock from an escrow established pursuant to an Award Agreement, or to make any payment in cash under the Plan until the Participating Company Group's tax withholding obligations have been satisfied by the Participant.

17.2 **Withholding in Shares.** The Company shall have the right, but not the obligation, to deduct from the shares of Stock issuable to a Participant upon the exercise or settlement of an Award, or to accept from the Participant the tender of, a number of whole shares of Stock having a Fair Market Value, as determined by the Company, equal to all or any part of the tax withholding obligations of any Participating Company. The Fair Market Value of any shares of Stock withheld or tendered to satisfy any such tax withholding obligations shall not exceed the amount determined by the applicable minimum statutory withholding rates.

18. **AMENDMENT OR TERMINATION OF PLAN.**

The Committee may amend, suspend or terminate the Plan at any time. However, without the approval of the Company's stockholders, there shall be (a) no increase in the maximum aggregate number of shares of Stock that may be issued under the Plan (except by operation of the provisions of Section 4.4), (b) no change in the class of persons eligible to receive Incentive Stock Options, and (c) no other amendment of the Plan that would require approval of the Company's stockholders under any applicable law, regulation or rule, including the rules of any stock exchange or market system upon which the Stock may then be listed. No amendment, suspension or termination of the Plan shall affect any then outstanding Award unless expressly provided by the Committee. Except as provided by the next sentence, no amendment, suspension or termination of the Plan may adversely affect any then outstanding Award without the consent of the Participant. Notwithstanding any other provision of the Plan to the contrary, the Committee may, in its sole and absolute discretion and without the consent of any Participant, amend the Plan or any Award Agreement, to take effect retroactively or otherwise, as it deems necessary or advisable for the purpose of conforming the Plan or such Award Agreement to any present or future law, regulation or rule applicable to the Plan, including, but not limited to, Section 409A.

19. **MISCELLANEOUS PROVISIONS.**

19.1 **Repurchase Rights.** Shares issued under the Plan may be subject to one or more repurchase options, or other conditions and restrictions as determined by the Committee in its discretion at the time the Award is granted. The Company shall have the right to assign at any time any repurchase right it may have, whether or not such right is then exercisable, to one or more persons as may be selected by the Company. Upon request by the Company, each Participant shall execute any agreement evidencing such transfer restrictions prior to the receipt of shares of Stock hereunder and shall promptly present to the Company any and all certificates representing shares of Stock acquired hereunder for the placement on such certificates of appropriate legends evidencing any such transfer restrictions.

19.2 **Forfeiture Events.**

(a) The Committee may specify in an Award Agreement that the Participant's rights, payments, and benefits with respect to an Award shall be subject to reduction, cancellation, forfeiture, or recoupment upon the occurrence of specified events, in addition to any otherwise applicable vesting or performance conditions of an Award. Such events may include, but shall not be limited to, termination of Service for Cause or any act by a Participant, whether before or after termination of Service, that would constitute Cause for termination of Service.

(b) If the Company is required to prepare an accounting restatement due to the material noncompliance of the Company, as a result of misconduct, with any financial reporting requirement under the securities laws, any Participant who knowingly or through gross negligence engaged in the misconduct, or who knowingly or through gross negligence failed to prevent the misconduct, and any Participant who is one of the individuals subject to automatic forfeiture under Section 304 of the Sarbanes-Oxley Act of 2002, shall reimburse the Company for (i) the amount of any payment in settlement of an Award received by such Participant during the twelve- (12-) month period following the first public issuance or filing with the United States Securities and Exchange Commission (whichever first occurred) of the financial document embodying such financial reporting requirement, and (ii) any profits realized by such Participant from the sale of securities of the Company during such twelve- (12-) month period.

19.3 **Provision of Information.** Each Participant shall be given access to information concerning the Company equivalent to that information generally made available to the Company's common stockholders.

19.4 **Rights as Employee, Consultant or Director.** No person, even though eligible pursuant to Section 5, shall have a right to be selected as a Participant, or, having been so selected, to be selected again as a Participant. Nothing in the Plan or any Award granted under the Plan shall confer on any Participant a right to remain an Employee, Consultant or Director or interfere with or limit in any way any right of a Participating Company to terminate the Participant's Service at any time. To the extent that an Employee of a Participating Company other than the Company receives an Award under the Plan, that Award shall in no event be understood or interpreted to mean that the Company is the Employee's employer or that the Employee has an employment relationship with the Company.

19.5 Rights as a Stockholder. A Participant shall have no rights as a stockholder with respect to any shares covered by an Award until the date of the issuance of such shares (as evidenced by the appropriate entry on the books of the Company or of a duly authorized transfer agent of the Company). No adjustment shall be made for dividends, distributions or other rights for which the record date is prior to the date such shares are issued, except as provided in Section 4.4 or another provision of the Plan.

19.6 Delivery of Title to Shares. Subject to any governing rules or regulations, the Company shall issue or cause to be issued the shares of Stock acquired pursuant to an Award and shall deliver such shares to or for the benefit of the Participant by means of one or more of the following: (a) by delivering to the Participant evidence of book entry shares of Stock credited to the account of the Participant, (b) by depositing such shares of Stock for the benefit of the Participant with any broker with which the Participant has an account relationship, or (c) by delivering such shares of Stock to the Participant in certificate form.

19.7 Fractional Shares. The Company shall not be required to issue fractional shares upon the exercise or settlement of any Award.

19.8 Retirement and Welfare Plans. Neither Awards made under this Plan nor shares of Stock or cash paid pursuant to such Awards may be included as “compensation” for purposes of computing the benefits payable to any Participant under any Participating Company’s retirement plans (both qualified and non-qualified) or welfare benefit plans unless such other plan expressly provides that such compensation shall be taken into account in computing a Participant’s benefit.

19.9 Beneficiary Designation. Subject to local laws and procedures, each Participant may file with the Company a written designation of a beneficiary who is to receive any benefit under the Plan to which the Participant is entitled in the event of such Participant’s death before he or she receives any or all of such benefit. Each designation will revoke all prior designations by the same Participant, shall be in a form prescribed by the Company, and will be effective only when filed by the Participant in writing with the Company during the Participant’s lifetime. If a married Participant designates a beneficiary other than the Participant’s spouse, the effectiveness of such designation may be subject to the consent of the Participant’s spouse. If a Participant dies without an effective designation of a beneficiary who is living at the time of the Participant’s death, the Company will pay any remaining unpaid benefits to the Participant’s legal representative.

19.10 Severability. If any one or more of the provisions (or any part thereof) of this Plan shall be held invalid, illegal or unenforceable in any respect, such provision shall be modified so as to make it valid, legal and enforceable, and the validity, legality and enforceability of the remaining provisions (or any part thereof) of the Plan shall not in any way be affected or impaired thereby.

19.11 No Constraint on Corporate Action. Nothing in this Plan shall be construed to: (a) limit, impair, or otherwise affect the Company’s or another Participating Company’s right or power to make adjustments, reclassifications, reorganizations, or changes of its capital or business structure, or to merge or consolidate, or dissolve, liquidate, sell, or transfer

all or any part of its business or assets; or (b) limit the right or power of the Company or another Participating Company to take any action which such entity deems to be necessary or appropriate.

19.12 Unfunded Obligation. Participants shall have the status of general unsecured creditors of the Company. Any amounts payable to Participants pursuant to the Plan shall be considered unfunded and unsecured obligations for all purposes, including, without limitation, Title I of the Employee Retirement Income Security Act of 1974. No Participating Company shall be required to segregate any monies from its general funds, or to create any trusts, or establish any special accounts with respect to such obligations. The Company shall retain at all times beneficial ownership of any investments, including trust investments, which the Company may make to fulfill its payment obligations hereunder. Any investments or the creation or maintenance of any trust or any Participant account shall not create or constitute a trust or fiduciary relationship between the Committee or any Participating Company and a Participant, or otherwise create any vested or beneficial interest in any Participant or the Participant's creditors in any assets of any Participating Company. The Participants shall have no claim against any Participating Company for any changes in the value of any assets which may be invested or reinvested by the Company with respect to the Plan.

19.13 Choice of Law. Except to the extent governed by applicable federal law, the validity, interpretation, construction and performance of the Plan and each Award Agreement shall be governed by the laws of the State of Arizona, without regard to its conflict of law rules.

GRAND CANYON EDUCATION, INC.
2008 Employee Stock Purchase Plan

TABLE OF CONTENTS

	<u>Page</u>
1. Establishment, Purpose and Term of Plan	1
1.1 Establishment	1
1.2 Purpose	1
1.3 Term of Plan	1
2. Definitions and Construction	1
2.1 Definitions	1
2.2 Construction	5
3. Administration	5
3.1 Administration by the Committee	5
3.2 Authority of Officers	6
3.3 Power to Adopt Sub-plans	6
3.4 Policies and Procedures Established by the Company	6
3.5 Indemnification	6
4. Shares Subject to Plan	7
4.1 Maximum Number of Shares Issuable	7
4.2 Annual Increase in Maximum Number of Shares Issuable	7
4.3 Adjustments for Changes in Capital Structure	7
5. Eligibility	8
5.1 Employees Eligible to Participate	8
5.2 Exclusion of Certain Stockholders	8
5.3 Determination by Company	8
6. Offerings	8
7. Participation in the Plan	9
7.1 Initial Participation	9
7.2 Continued Participation	9
8. Right to Purchase Shares	10
8.1 Grant of Purchase Right	10
8.2 Calendar Year Purchase Limitation	10
9. Purchase Price	11
10. Accumulation of Purchase Price through Payroll Deduction	11
10.1 Amount of Payroll Deductions	11
10.2 Commencement of Payroll Deductions	11
10.3 Election to Decrease or Stop Payroll Deductions	11

TABLE OF CONTENTS
(continued)

	<u>Page</u>
10.4 Administrative Suspension of Payroll Deductions	12
10.5 Participant Accounts	12
10.6 No Interest Paid	12
11. Purchase of Shares	12
11.1 Exercise of Purchase Right	12
11.2 Pro Rata Allocation of Shares	13
11.3 Delivery of Certificates	14
11.4 Return of Plan Account Balance	14
11.5 Tax Withholding	14
11.6 Expiration of Purchase Right	14
11.7 Provision of Reports and Stockholder Information to Participants	14
12. Withdrawal from Plan	15
12.1 Voluntary Withdrawal from the Plan	15
12.2 Return of Plan Account Balance	15
13. Termination of Employment or Eligibility	15
14. Effect of Change in Control on Purchase Rights	15
15. Nontransferability of Purchase Rights	16
16. Compliance with Securities Law	16
17. Rights as a Stockholder and Employee	16
18. Notification of Disposition of Shares	17
19. Legends	17
20. Designation of Beneficiary	17
20.1 Designation Procedure	17
20.2 Absence of Beneficiary Designation	18
21. Notices	18
22. Amendment or Termination of the Plan	18

Grand Canyon Education, Inc.
2008 Employee Stock Purchase Plan

1. ESTABLISHMENT, PURPOSE AND TERM OF PLAN.

1.1 **Establishment.** The Grand Canyon Education, Inc. 2008 Employee Stock Purchase Plan (the “**Plan**”) is hereby established effective as of the effective date of the initial registration by the Company of its Stock under Section 12 of the Securities Exchange Act of 1934, as amended (the “**Effective Date**”).

1.2 **Purpose.** The purpose of the Plan is to advance the interests of the Company and its stockholders by providing an incentive to attract, retain and reward Eligible Employees of the Participating Company Group and by motivating such persons to contribute to the growth and profitability of the Participating Company Group. The Plan provides such Eligible Employees with an opportunity to acquire a proprietary interest in the Company through the purchase of Stock. The Company intends that the Plan qualify as an “employee stock purchase plan” under Section 423 of the Code (including any amendments or replacements of such section), and the Plan shall be so construed.

1.3 **Term of Plan.** The Plan shall continue in effect until its termination by the Committee.

2. DEFINITIONS AND CONSTRUCTION.

2.1 **Definitions.** Any term not expressly defined in the Plan but defined for purposes of Section 423 of the Code shall have the same definition herein. Whenever used herein, the following terms shall have their respective meanings set forth below:

(a) “**Board**” means the Board of Directors of the Company.

(b) “**Cash Exercise Notice**” means a written notice in such form as specified by the Company which states a Participant’s election to exercise, as of the next Purchase Date, a Purchase Right granted to such Participant with respect to a Pre-Registration Offering Period.

(c) “**Change in Control**” means the occurrence of any of the following:

(i) any “person” (as such term is used in Sections 13(d) and 14(d) of the Exchange Act) becomes the “beneficial owner” (as such term is defined in Rule 13d-3 promulgated under the Exchange Act), directly or indirectly, of securities of the Company representing more than fifty percent (50%) of the total Fair Market Value or total combined voting power of the Company’s then-outstanding securities entitled to vote generally in the election of Directors; provided, however, that a Change in Control shall not be deemed to have occurred if such level of beneficial ownership results from any of the following: (A) an acquisition by any person who on the Effective Date is the beneficial owner of more than fifty

percent (50%) of such voting power, (B) any acquisition directly from the Company, including, without limitation, pursuant to or in connection with a public offering of securities, (C) any acquisition by the Company, (D) any acquisition by a trustee or other fiduciary under an employee benefit plan of a Participating Company or (E) any acquisition by an entity owned directly or indirectly by the stockholders of the Company in substantially the same proportions as their ownership of the voting securities of the Company; or

(ii) an Ownership Change Event or series of related Ownership Change Events (collectively, a “**Transaction**”) in which the stockholders of the Company immediately before the Transaction do not retain immediately after the Transaction direct or indirect beneficial ownership of more than fifty percent (50%) of the total combined voting power of the outstanding securities entitled to vote generally in the election of Directors or, in the case of an Ownership Change Event described in Section 2.1(p)(iii), the entity to which the assets of the Company were transferred (the “**Transferee**”), as the case may be; or

(iii) a liquidation or dissolution of the Company;

provided, however, that a Change in Control shall be deemed not to include a transaction described in subsections (i) or (ii) of this Section 2.1(c) in which a majority of the members of the board of directors of the continuing, surviving or successor entity, or parent thereof, immediately after such transaction is comprised of Incumbent Directors.

For purposes of the preceding sentence, indirect beneficial ownership shall include, without limitation, an interest resulting from ownership of the voting securities of one or more corporations or other business entities which own the Company or the Transferee, as the case may be, either directly or through one or more subsidiary corporations or other business entities. The Committee shall determine whether multiple sales or exchanges of the voting securities of the Company or multiple Ownership Change Events are related, and its determination shall be final, binding and conclusive.

(d) “**Code**” means the Internal Revenue Code of 1986, as amended, and any applicable regulations promulgated thereunder.

(e) “**Committee**” means the Compensation Committee and such other committee or subcommittee of the Board, if any, duly appointed to administer the Plan and having such powers in each instance as shall be specified by the Board. If, at any time, there is no committee of the Board then authorized or properly constituted to administer the Plan, the Board shall exercise all of the powers of the Committee granted herein, and, in any event, the Board may in its discretion exercise any or all of such powers.

(f) “**Company**” means Grand Canyon Education, Inc., a Delaware corporation, or any successor corporation thereto.

(g) “**Compensation**” means, with respect to any Offering Period, base wages or salary, overtime, bonuses, commissions, shift differentials, payments for paid time off, payments in lieu of notice, and compensation deferred under any program or plan, including, without limitation, pursuant to Section 401(k) or Section 125 of the Code. Compensation shall be limited to amounts actually payable in cash or deferred during the Offering Period.

Compensation shall not include moving allowances, payments pursuant to a severance agreement, termination pay, relocation payments, sign-on bonuses, any amounts directly or indirectly paid pursuant to the Plan or any other stock purchase, stock option or other stock-based compensation plan, or any other compensation not included above.

(h) “**Eligible Employee**” means an Employee who meets the requirements set forth in Section 5 for eligibility to participate in the Plan.

(i) “**Employee**” means a person treated as an employee of a Participating Company for purposes of Section 423 of the Code. A Participant shall be deemed to have ceased to be an Employee either upon an actual termination of employment or upon the corporation employing the Participant ceasing to be a Participating Company. For purposes of the Plan, an individual shall not be deemed to have ceased to be an Employee while on any military leave, sick leave, or other bona fide leave of absence approved by the Company of ninety (90) days or less. If an individual’s leave of absence exceeds ninety (90) days, the individual shall be deemed to have ceased to be an Employee on the ninety-first (91st) day of such leave unless the individual’s right to reemployment with the Participating Company Group is guaranteed either by statute or by contract.

(j) “**Fair Market Value**” means, as of any date:

(i) Except as otherwise determined by the Committee, if, on such date, the Stock is listed or quoted on a national or regional securities exchange or quotation system, the closing price of a share of Stock as quoted on the national or regional securities exchange or quotation system constituting the primary market for the Stock, as reported in *The Wall Street Journal* or such other source as the Company deems reliable. If the relevant date does not fall on a day on which the Stock has traded on such securities exchange or quotation system, the date on which the Fair Market Value is established shall be the last day on which the Stock was so traded or quoted prior to the relevant date, or such other appropriate day as determined by the Committee, in its discretion.

(ii) If, on the relevant date, the Stock is not then listed on a national or regional securities exchange or quotation system, the Fair Market Value of a share of Stock shall be as determined in good faith by the Committee.

(iii) Notwithstanding the foregoing, if the initial Offering Period commences on the Effective Date, then the Fair Market Value of a share of Stock on such date shall be deemed to be the public offering price set forth in the final prospectus filed with the Securities and Exchange Commission in connection with the Company’s initial public offering of the Stock.

(k) “**Incumbent Director**” means a director who either (i) is a member of the Board as of the Effective Date, or (ii) is elected, or nominated for election, to the Board with the affirmative votes of at least a majority of the Incumbent Directors at the time of such election or nomination, but who was not elected or nominated in connection with an actual or threatened proxy contest relating to the election of directors of the Company.

(l) “**Offering**” means an offering of Stock pursuant to the Plan, as provided in Section 6.

(m) “**Offering Date**” means, for any Offering Period, the first day of such Offering Period.

(n) “**Offering Period**” means a period, established by the Committee in accordance with Section 6, during which an Offering is outstanding.

(o) “**Officer**” means any person designated by the Board as an officer of the Company.

(p) “**Ownership Change Event**” means the occurrence of any of the following with respect to the Company: (i) the direct or indirect sale or exchange in a single or series of related transactions by the stockholders of the Company of more than fifty percent (50%) of the voting stock of the Company; (ii) a merger or consolidation in which the Company is a party; or (iii) the sale, exchange, or transfer of all or substantially all of the assets of the Company (other than a sale, exchange or transfer to one or more subsidiaries of the Company).

(q) “**Parent Corporation**” means any present or future “parent corporation” of the Company, as defined in Section 424(e) of the Code.

(r) “**Participant**” means an Eligible Employee who has become a participant in an Offering Period in accordance with Section 7 and remains a participant in accordance with the Plan.

(s) “**Participating Company**” means the Company and any Parent Corporation or Subsidiary Corporation designated by the Committee as a corporation the Employees of which may, if Eligible Employees, participate in the Plan. The Committee shall have the discretion to determine from time to time which Parent Corporations or Subsidiary Corporations shall be Participating Companies.

(t) “**Participating Company Group**” means, at any point in time, the Company and all other corporations collectively which are then Participating Companies.

(u) “**Pre-Registration Offering Period**” means an Offering Period commencing prior to the Registration Date with respect to the shares of Stock issuable pursuant to such Offering Period.

(v) “**Purchase Date**” means, for any Offering Period, the last day of such Offering Period, or, if so determined by the Committee, the last day of each Purchase Period occurring within such Offering Period.

(w) “**Purchase Period**” means a period, established by the Committee in accordance with Section 6, included within an Offering Period and on the final date of which outstanding Purchase Rights are exercised.

(x) “**Purchase Price**” means the price at which a share of Stock may be purchased under the Plan, as determined in accordance with Section 9.

(y) “**Purchase Right**” means an option granted to a Participant pursuant to the Plan to purchase such shares of Stock as provided in Section 8, which the Participant may or may not exercise during the Offering Period in which such option is outstanding. Such option arises from the right of a Participant to withdraw any payroll deductions or other funds accumulated on behalf of the Participant and not previously applied to the purchase of Stock under the Plan, and to terminate participation in the Plan at any time during an Offering Period.

(z) “**Registration Date**” means the effective date of the registration on Form S-8 of shares of Stock issuable pursuant to the Plan.

(aa) “**Securities Act**” means the Securities Act of 1933, as amended.

(bb) “**Stock**” means the common stock of the Company, as adjusted from time to time in accordance with Section 4.3.

(cc) “**Subscription Agreement**” means a written or electronic agreement, in such form as is specified by the Company, stating an Employee’s election to participate in the Plan and authorizing payroll deductions under the Plan from the Employee’s Compensation or other method of payment authorized by the Committee pursuant to Section 11.1(c).

(dd) “**Subscription Date**” means the last business day prior to the Offering Date of an Offering Period or such earlier date as the Company shall establish.

(ee) “**Subsidiary Corporation**” means any present or future “subsidiary corporation” of the Company, as defined in Section 424(f) of the Code.

2.2 **Construction.** Captions and titles contained herein are for convenience only and shall not affect the meaning or interpretation of any provision of the Plan. Except when otherwise indicated by the context, the singular shall include the plural and the plural shall include the singular. Use of the term “or” is not intended to be exclusive, unless the context clearly requires otherwise.

3. ADMINISTRATION.

3.1 **Administration by the Committee.** The Plan shall be administered by the Committee. All questions of interpretation of the Plan, of any form of agreement or other document employed by the Company in the administration of the Plan, or of any Purchase Right shall be determined by the Committee, and such determinations shall be final, binding and conclusive upon all persons having an interest in the Plan or the Purchase Right, unless fraudulent or made in bad faith. Subject to the provisions of the Plan, the Committee shall determine all of the relevant terms and conditions of Purchase Rights; provided, however, that all Participants granted Purchase Rights pursuant to an Offering shall have the same rights and privileges within the meaning of Section 423(b)(5) of the Code. Any and all actions, decisions

and determinations taken or made by the Committee in the exercise of its discretion pursuant to the Plan or any agreement thereunder (other than determining questions of interpretation pursuant to the second sentence of this Section 3.1) shall be final, binding and conclusive upon all persons having an interest therein. All expenses incurred in connection with the administration of the Plan shall be paid by the Company.

3.2 Authority of Officers. Any Officer shall have the authority to act on behalf of the Company with respect to any matter, right, obligation, determination or election that is the responsibility of or that is allocated to the Company herein, provided that the Officer has apparent authority with respect to such matter, right, obligation, determination or election.

3.3 Power to Adopt Sub-Plans. The Committee shall have the power, in its discretion, to adopt on or more sub-plans of the Plan as the Committee deems necessary or desirable to comply with the laws or regulations, tax policy, accounting principles or custom of foreign jurisdictions applicable to employees of a subsidiary business entity of the Company, provided that any such sub-plan shall not be within the scope of an “employee stock purchase plan” within the meaning of Section 423 of the Code. Any of the provisions of any such sub-plan may supersede the provisions of this Plan, other than Section 4. Except as superseded by the provisions of a sub-plan, the provisions of this Plan shall govern such sub-plan.

3.4 Policies and Procedures Established by the Company. Without regard to whether any Participant’s Purchase Right may be considered adversely affected, the Company may, from time to time, consistent with the Plan and the requirements of Section 423 of the Code, establish, change or terminate such rules, guidelines, policies, procedures, limitations, or adjustments as deemed advisable by the Company, in its discretion, for the proper administration of the Plan, including, without limitation, (a) a minimum payroll deduction amount required for participation in an Offering, (b) a limitation on the frequency or number of changes permitted in the rate of payroll deduction during an Offering, (c) an exchange ratio applicable to amounts withheld or paid in a currency other than United States dollars, (d) a payroll deduction greater than or less than the amount designated by a Participant in order to adjust for the Company’s delay or mistake in processing a Subscription Agreement or in otherwise effecting a Participant’s election under the Plan or as advisable to comply with the requirements of Section 423 of the Code, and (e) determination of the date and manner by which the Fair Market Value of a share of Stock is determined for purposes of administration of the Plan. All such actions by the Company shall be taken consistent with the requirement under Section 423(b)(5) of the Code that all Participants granted Purchase Rights pursuant to an Offering shall have the same rights and privileges within the meaning of such section.

3.5 Indemnification. In addition to such other rights of indemnification as they may have as members of the Board or the Committee or as officers or employees of the Participating Company Group, members of the Board or the Committee and any officers or employees of the Participating Company Group to whom authority to act for the Board, the Committee or the Company is delegated shall be indemnified by the Company against all reasonable expenses, including attorneys’ fees, actually and necessarily incurred in connection with the defense of any action, suit or proceeding, or in connection with any appeal therein, to which they or any of them may be a party by reason of any action taken or failure to act under or in connection with the Plan, or any right granted hereunder, and against all amounts paid by them

in settlement thereof (provided such settlement is approved by independent legal counsel selected by the Company) or paid by them in satisfaction of a judgment in any such action, suit or proceeding, except in relation to matters as to which it shall be adjudged in such action, suit or proceeding that such person is liable for gross negligence, bad faith or intentional misconduct in duties; provided, however, that within sixty (60) days after the institution of such action, suit or proceeding, such person shall offer to the Company, in writing, the opportunity at its own expense to handle and defend the same.

4. **SHARES SUBJECT TO PLAN.**

4.1 **Maximum Number of Shares Issuable.** Subject to adjustment as provided in Sections 4.32 and 4.3, the maximum aggregate number of shares of Stock that may be issued under the Plan shall be 1,049,984 and shall consist of authorized but unissued or reacquired shares of Stock, or any combination thereof. If an outstanding Purchase Right for any reason expires or is terminated or canceled, the shares of Stock allocable to the unexercised portion of that Purchase Right shall again be available for issuance under the Plan.

4.2 **Annual Increase in Maximum Number of Shares Issuable.** Subject to adjustment as provided in Section 4.3, the maximum aggregate number of shares of Stock that may be issued under the Plan as set forth in Section 4.1 shall be cumulatively increased on January 1, 2009 and on each subsequent January 1, through and including January 1, 2017, by a number of shares (the “**Annual Increase**”) equal to the smallest of (a) one percent (1.0%) of the number of shares of Stock issued and outstanding on the immediately preceding December 31, (b) 1,049,984 shares, or (c) an amount determined by the Board.

4.3 **Adjustments for Changes in Capital Structure.** Subject to any required action by the stockholders of the Company and the requirements of Section 424 of the Code to the extent applicable, in the event of any change in the Stock effected without receipt of consideration by the Company, whether through merger, consolidation, reorganization, reincorporation, recapitalization, reclassification, stock dividend, stock split, reverse stock split, split-up, split-off, spin-off, combination of shares, exchange of shares, or similar change in the capital structure of the Company, or in the event of payment of a dividend or distribution to the stockholders of the Company in a form other than Stock (excepting normal cash dividends) that has a material effect on the Fair Market Value of shares of Stock, appropriate and proportionate adjustments shall be made in the number and kind of shares subject to the Plan, the Annual Increase, the limit on the shares which may be purchased by any Participant during an Offering (as described in Sections 8.1 and 8.2) and each Purchase Right, and in the Purchase Price in order to prevent dilution or enlargement of Participants’ rights under the Plan. For purposes of the foregoing, conversion of any convertible securities of the Company shall not be treated as “effected without receipt of consideration by the Company.” If a majority of the shares which are of the same class as the shares that are subject to outstanding Purchase Rights are exchanged for, converted into, or otherwise become (whether or not pursuant to an Ownership Change Event) shares of another corporation (the “**New Shares**”), the Committee may unilaterally amend the outstanding Purchase Rights to provide that such Purchase Rights are for New Shares. In the event of any such amendment, the number of shares subject to, and the exercise price per share of, the outstanding Purchase Rights shall be adjusted in a fair and equitable manner as

determined by the Committee, in its discretion. Any fractional share resulting from an adjustment pursuant to this Section 4.3 shall be rounded down to the nearest whole number, and in no event may the Purchase Price be decreased to an amount less than the par value, if any, of the stock subject to the Purchase Right. The adjustments determined by the Committee pursuant to this Section 4.3 shall be final, binding and conclusive.

5. **ELIGIBILITY.**

5.1 **Employees Eligible to Participate.** Each Employee of a Participating Company is eligible to participate in the Plan and shall be deemed an Eligible Employee, except the following:

- (a) Any Employee who is customarily employed by the Participating Company Group for twenty (20) hours or less per week; or
- (b) Any Employee who is customarily employed by the Participating Company Group for not more than five (5) months in any calendar year.

5.2 **Exclusion of Certain Stockholders.** Notwithstanding any provision of the Plan to the contrary, no Employee shall be treated as an Eligible Employee and granted a Purchase Right under the Plan if, immediately after such grant, the Employee would own, or hold options to purchase, stock of the Company or of any Parent Corporation or Subsidiary Corporation possessing five percent (5%) or more of the total combined voting power or value of all classes of stock of such corporation, as determined in accordance with Section 423(b)(3) of the Code. For purposes of this Section 5.2, the attribution rules of Section 424(d) of the Code shall apply in determining the stock ownership of such Employee.

5.3 **Determination by Company.** The Company shall determine in good faith and in the exercise of its discretion whether an individual has become or has ceased to be an Employee or an Eligible Employee and the effective date of such individual's attainment or termination of such status, as the case may be. For purposes of an individual's participation in or other rights, if any, under the Plan as of the time of the Company's determination of whether or not the individual is an Employee, all such determinations by the Company shall be final, binding and conclusive as to such rights, if any, notwithstanding that the Company or any court of law or governmental agency subsequently makes a contrary determination as to such individual's status as an Employee.

6. **OFFERINGS.**

The Plan shall be implemented by sequential Offerings of approximately three (3) months duration or such other duration as the Committee shall determine. Offering Periods shall commence on or about the first trading days of February, May, August and November of each year and end on or about the last trading days of the next April, July, October and January, respectively, occurring thereafter. However, if so determined by the Committee, the initial Offering Period shall commence on the Effective Date and end on or about October 31, 2008. Notwithstanding the foregoing, the Committee may establish additional or alternative sequential or overlapping Offering Periods, a different duration for one or more Offering Periods or different commencing or ending dates for such Offering Periods; provided, however, that no

Offering Period may have a duration exceeding twenty-seven (27) months. If the Committee shall so determine in its discretion, each Offering Period may consist of two (2) or more consecutive Purchase Periods having such duration as the Committee shall specify, and the last day of each such Purchase Period shall be a Purchase Date. If the first or last day of an Offering Period or a Purchase Period is not a day on which the principal stock exchange or quotation system on which the Stock is then listed is open for trading, the Company shall specify the trading day that will be deemed the first or last day, as the case may be, of the Offering Period or Purchase Period.

7. PARTICIPATION IN THE PLAN.

7.1 Initial Participation.

(a) **Generally.** Except as provided in Section 7.1(b), an Eligible Employee may become a Participant in an Offering Period by delivering a properly completed written or electronic Subscription Agreement to the Company office or representative designated by the Company (including a third-party administrator designated by the Company) not later than the close of business on the Subscription Date established by the Company for that Offering Period. An Eligible Employee who does not deliver a properly completed Subscription Agreement in the manner permitted or required on or before the Subscription Date for an Offering Period shall not participate in the Plan for that Offering Period or for any subsequent Offering Period unless the Eligible Employee subsequently delivers a properly completed Subscription Agreement to the appropriate Company office or representative on or before the Subscription Date for such subsequent Offering Period. An Employee who becomes an Eligible Employee after the Offering Date of an Offering Period shall not be eligible to participate in that Offering Period but may participate in any subsequent Offering Period provided the Employee is still an Eligible Employee as of the Offering Date of such subsequent Offering Period.

(b) **Automatic Participation in Pre-Registration Offering Period.** Notwithstanding Section 7.1(a), each Employee who is an Eligible Employee as of the Offering Date of a Pre-Registration Offering Period shall automatically become a Participant in the Pre-Registration Offering Period and shall be granted automatically a Purchase Right consisting of an option to purchase the lesser of (i) a number of whole shares of Stock determined in accordance with Section 8, or (ii) a number of whole shares of Stock determined by dividing twenty percent (20%) of such Participant's Compensation paid during the Pre-Registration Offering Period by the Purchase Price applicable to the Pre-Registration Offering Period. The Company shall not require or permit any Participant to deliver a Subscription Agreement for participation in the Pre-Registration Offering Period; provided, however, that following the applicable Registration Date a Participant may deliver a Subscription Agreement to the office designated by the Company if the Participant wishes to change the terms of the Participant's participation in the Pre-Registration Offering Period. Such changes may include, for example, an election to commence payroll deductions in accordance with Section 10.

7.2 Continued Participation.

(a) **Generally.** Except as provided in Section 7.2(b), a Participant shall automatically participate in the next Offering Period commencing immediately after the

final Purchase Date of each Offering Period in which the Participant participates provided that the Participant remains an Eligible Employee on the Offering Date of the new Offering Period and has not either (a) withdrawn from the Plan pursuant to Section 12.1, or (b) terminated employment or otherwise ceased to be an Eligible Employee as provided in Section 13. A Participant who may automatically participate in a subsequent Offering Period, as provided in this Section, is not required to deliver any additional Subscription Agreement for the subsequent Offering Period in order to continue participation in the Plan. However, a Participant may deliver a new Subscription Agreement for a subsequent Offering Period in accordance with the procedures set forth in Section 7.1(a) if the Participant desires to change any of the elections contained in the Participant's then effective Subscription Agreement.

(b) **Participation Following Pre-Registration Offering Period.** Notwithstanding Section 7.2(a), an Eligible Employee who was automatically enrolled in a Pre-Registration Offering Period and who wishes to participate in an Offering Period which begins after the Pre-Registration Offering Period shall deliver a Subscription Agreement in accordance with Section 7.1(a) no earlier than the applicable Registration Date and no later than the Subscription Date for such Offering Period, unless the Employee delivered a Subscription Agreement with respect to the Pre-Registration Offering Period as provided in Section 7.1(b).

8. RIGHT TO PURCHASE SHARES.

8.1 **Grant of Purchase Right.** Except as provided in Section 7.1 with respect to a Pre-Registration Offering Period or as otherwise provided below, on the Offering Date of each Offering Period, each Participant in such Offering Period shall be granted automatically a Purchase Right consisting of an option to purchase the lesser of (a) that number of whole shares of Stock determined by dividing the Dollar Limit (determined as provided below) by the Fair Market Value of a share of Stock on such Offering Date or (b) the Share Limit (determined as provided below). The Committee may, in its discretion and prior to the Offering Date of any Offering Period, (i) change the method of, or any of the foregoing factors in, determining the number of shares of Stock subject to Purchase Rights to be granted on such Offering Date, or (ii) specify a maximum aggregate number of shares that may be purchased by all Participants in an Offering or on any Purchase Date within an Offering Period. No Purchase Right shall be granted on an Offering Date to any person who is not, on such Offering Date, an Eligible Employee. For the purposes of this Section, the “**Dollar Limit**” shall be determined by multiplying \$1,979.17 by the number of months (rounded to the nearest whole month) in the Offering Period and rounding to the nearest whole dollar, and the “**Share Limit**” shall be determined by multiplying one hundred (100) shares by the number of months (rounded to the nearest whole month) in the Offering Period and rounding to the nearest whole share.

8.2 **Calendar Year Purchase Limitation.** Notwithstanding any provision of the Plan to the contrary, no Participant shall be granted a Purchase Right which permits his or her right to purchase shares of Stock under the Plan to accrue at a rate which, when aggregated with such Participant's rights to purchase shares under all other employee stock purchase plans of a Participating Company intended to meet the requirements of Section 423 of the Code, exceeds Twenty-Three Thousand Seven Hundred and Fifty Dollars (\$23,750) in Fair Market Value (or such other limit, if any, as may be imposed by the Code) for each calendar year in which such Purchase Right is outstanding at any time. For purposes of the preceding sentence, the Fair Market Value of shares

purchased during a given Offering Period shall be determined as of the Offering Date for such Offering Period. The limitation described in this Section shall be applied in conformance with applicable regulations under Section 423(b)(8) of the Code.

9. **PURCHASE PRICE.**

The Purchase Price at which each share of Stock may be acquired in an Offering Period upon the exercise of all or any portion of a Purchase Right shall be established by the Committee; provided, however, that the Purchase Price on each Purchase Date shall not be less than eighty-five percent (85%) of the lesser of (a) the Fair Market Value of a share of Stock on the Offering Date of the Offering Period or (b) the Fair Market Value of a share of Stock on the Purchase Date. Subject to adjustment as provided by the Plan and unless otherwise provided by the Committee, the Purchase Price for each Offering Period shall be ninety-five percent (95%) of the Fair Market Value of a share of Stock on the Purchase Date.

10. **ACCUMULATION OF PURCHASE PRICE THROUGH PAYROLL DEDUCTION.**

Except as provided in Section 11.1(b) with respect to a Pre-Registration Offering Period and in Section 11.1(c) with respect to non-United States Participants for whom payroll deductions are prohibited by applicable law, shares of Stock acquired pursuant to the exercise of all or any portion of a Purchase Right may be paid for only by means of payroll deductions from the Participant's Compensation accumulated during the Offering Period for which such Purchase Right was granted, subject to the following:

10.1 **Amount of Payroll Deductions.** Except as otherwise provided herein, the amount to be deducted under the Plan from a Participant's Compensation on each pay day during an Offering Period shall be determined by the Participant's Subscription Agreement. The Subscription Agreement shall set forth the percentage of the Participant's Compensation to be deducted on each pay day during an Offering Period in whole percentages of not less than one percent (1%) (except as a result of an election pursuant to Section 10.3 to stop payroll deductions effective following the first pay day during an Offering) or more than twenty percent (20%). The Committee may change the foregoing limits on payroll deductions effective as of any Offering Date.

10.2 **Commencement of Payroll Deductions.** Payroll deductions shall commence on the first pay day following the Offering Date and shall continue to the end of the Offering Period unless sooner altered or terminated as provided herein; provided, however, that with respect to a Pre-Registration Offering Period, payroll deductions shall commence as soon as practicable following the Company's receipt of the Participant's Subscription Agreement (delivered no earlier than the applicable Registration Date), if any.

10.3 **Election to Decrease or Stop Payroll Deductions.** During an Offering Period, a Participant may elect to decrease the rate of or to stop deductions from his or her Compensation by delivering to the Company office or representative designated by the Company (including a third-party administrator designated by the Company) an amended Subscription Agreement authorizing such change on or before the "Change Notice Date." The "***Change Notice Date***" shall be a date prior to the beginning of the first pay period for which such election

is to be effective as established by the Company from time to time and announced to the Participants. A Participant who elects, effective following the first pay day of an Offering Period, to decrease the rate of his or her payroll deductions to zero percent (0%) shall nevertheless remain a Participant in such Offering Period unless the Participant withdraws from the Plan as provided in Section 12.1.

10.4 Administrative Suspension of Payroll Deductions. The Company may, in its discretion, suspend a Participant's payroll deductions under the Plan as the Company deems advisable to avoid accumulating payroll deductions in excess of the amount that could reasonably be anticipated to purchase the maximum number of shares of Stock permitted (a) under the Participant's Purchase Right, or (b) during a calendar year under the limit set forth in Section 8.2. Unless the Participant has either withdrawn from the Plan as provided in Section 12.1 or has ceased to be an Eligible Employee, payroll deductions shall be resumed at the rate specified in the Participant's then effective Subscription Agreement either (i) at the beginning of the next Offering Period if the reason for suspension was clause (a) in the preceding sentence, or (ii) at the beginning of the next Offering Period having a first Purchase Date that falls within the subsequent calendar year if the reason for suspension was clause (b) in the preceding sentence.

10.5 Participant Accounts. Individual bookkeeping accounts shall be maintained for each Participant. All payroll deductions from a Participant's Compensation (and other amounts received from the Participant in a Pre-Registration Offering Period pursuant to Section 11.1(b) or a non-United States Participant pursuant to Section 11.1(c)) shall be credited to such Participant's Plan account and shall be deposited with the general funds of the Company. All such amounts received or held by the Company may be used by the Company for any corporate purpose.

10.6 No Interest Paid. Interest shall not be paid on sums deducted from a Participant's Compensation pursuant to the Plan or otherwise credited to the Participant's Plan account.

11. PURCHASE OF SHARES.

11.1 Exercise of Purchase Right.

(a) **Generally.** Except as provided in Section 11.1(b) and Section 11.1(c), on each Purchase Date of an Offering Period, each Participant who has not withdrawn from the Plan and whose participation in the Offering has not otherwise terminated before such Purchase Date shall automatically acquire pursuant to the exercise of the Participant's Purchase Right the number of whole shares of Stock determined by dividing (a) the total amount of the Participant's payroll deductions accumulated in the Participant's Plan account during the Offering Period and not previously applied toward the purchase of Stock by (b) the Purchase Price. However, in no event shall the number of shares purchased by the Participant during an Offering Period exceed the number of shares subject to the Participant's Purchase Right. No shares of Stock shall be purchased on a Purchase Date on behalf of a Participant whose participation in the Offering or the Plan has terminated before such Purchase Date.

(b) **Purchase in Pre-Registration Period.** Notwithstanding Section 11.1(a), on the Purchase Date of a Pre-Registration Offering Period, each Participant who has not withdrawn from the Plan and whose participation in such Offering Period has not otherwise terminated before such Purchase Date shall automatically acquire pursuant to the exercise of the Participant's Purchase Right (i) a number of whole shares of Stock determined in accordance with Section 11.1(a) to the extent of the total amount of the Participant's payroll deductions accumulated in the Participant's Plan account during the Pre-Registration Offering Period, if any, and not previously applied toward the purchase of Stock, and (ii) such additional shares of Stock (not exceeding in the aggregate the Participant's Purchase Right) as determined in accordance with a Cash Exercise Notice delivered to the Company office or representative designated by the Company (including a third-party administrator designated by the Company) no earlier than the applicable Registration Date and not later than the close of business on the business day immediately preceding the Purchase Date or such earlier date as the Company shall establish, accompanied by payment of the Purchase Price for such additional shares in cash or by check. However, in no event shall the number of shares purchased by a Participant during the Pre-Registration Offering Period exceed the number of shares subject to the Participant's Purchase Right. In addition, if a Participant delivers a Subscription Agreement to the Company after the applicable Registration Date, the Participant may not elect to exercise a Purchase Right pursuant to a Cash Exercise Notice in an amount which, when aggregated with payroll deductions pursuant to such Subscription Agreement, exceeds twenty percent (20%) of the Participant's Compensation during the Pre-Registration Offering Period. The Company shall refund to the Participant in accordance with Section 11.4 any excess Purchase Price payment received from the Participant.

(c) **Purchase by Non-United States Participants for Whom Payroll Deductions Are Prohibited by Applicable Law.** Notwithstanding Section 11.1(a), where payroll deductions on behalf of Participants who are residents for income tax purposes of countries other than the United States are prohibited by applicable law (each, a "***non-United States Participant***"), the Committee shall provide another method for payment of the Purchase Price of the shares with such terms and conditions as shall be administratively convenient and comply with applicable law. On each Purchase Date of an Offering Period, each such non-United States Participant who has not withdrawn from the Plan and whose participation in such Offering Period has not otherwise terminated before such Purchase Date shall automatically acquire pursuant to the exercise of the Participant's Purchase Right a number of whole shares of Stock determined in accordance with Section 11.1(a) to the extent of the total amount of the Participant's Plan account balance accumulated during the Offering Period in accordance with the method established by the Committee and not previously applied toward the purchase of Stock. However, in no event shall the number of shares purchased by a non-United States Participant during the Offering Period exceed the number of shares subject to the Participant's Purchase Right. The Company shall refund to the non-United States Participant in accordance with Section 11.4 any excess Purchase Price payment received from such Participant.

11.2 Pro Rata Allocation of Shares. If the number of shares of Stock which might be purchased by all Participants on a Purchase Date exceeds the number of shares of Stock available in the Plan as provided in Section 4.1 or the maximum aggregate number of shares of Stock that may be purchased on such Purchase Date pursuant to a limit established by the Committee pursuant to Section 8.1, the Company shall make a pro rata allocation of the shares

available in as uniform a manner as practicable and as the Company determines to be equitable. Any fractional share resulting from such pro rata allocation to any Participant shall be disregarded.

11.3 Delivery of Certificates. As soon as practicable after each Purchase Date, the Company shall arrange the delivery to each Participant of a certificate representing the shares acquired by the Participant on such Purchase Date; provided that the Company may deliver such shares to a broker designated by the Company that will hold such shares for the benefit of the Participant. Shares to be delivered to a Participant under the Plan shall be registered in the name of the Participant, or, if requested by the Participant, in the name of the Participant and his or her spouse, or, if applicable, in the names of the heirs of the Participant.

11.4 Return of Plan Account Balance. Any cash balance remaining in a Participant's Plan account following any Purchase Date shall be refunded to the Participant as soon as practicable after such Purchase Date. However, if the cash balance to be returned to a Participant pursuant to the preceding sentence is less than the amount that would have been necessary to purchase an additional whole share of Stock on such Purchase Date, the Company may retain the cash balance in the Participant's Plan account to be applied toward the purchase of shares of Stock in the subsequent Purchase Period or Offering Period.

11.5 Tax Withholding. At the time a Participant's Purchase Right is exercised, in whole or in part, or at the time a Participant disposes of some or all of the shares of Stock he or she acquires under the Plan, the Participant shall make adequate provision for the federal, state, local and foreign tax withholding obligations, if any, of the Participating Company Group which arise upon exercise of the Purchase Right or upon such disposition of shares, respectively. The Participating Company Group may, but shall not be obligated to, withhold from the Participant's compensation the amount necessary to meet such withholding obligations.

11.6 Expiration of Purchase Right. Any portion of a Participant's Purchase Right remaining unexercised after the end of the Offering Period to which the Purchase Right relates shall expire immediately upon the end of the Offering Period.

11.7 Provision of Reports and Stockholder Information to Participants. Each Participant who has exercised all or part of his or her Purchase Right shall receive, as soon as practicable after the Purchase Date, a report of such Participant's Plan account setting forth the total amount credited to his or her Plan account prior to such exercise, the number of shares of Stock purchased, the Purchase Price for such shares, the date of purchase and the cash balance, if any, remaining immediately after such purchase that is to be refunded or retained in the Participant's Plan account pursuant to Section 11.4. The report required by this Section may be delivered in such form and by such means, including by electronic transmission, as the Company may determine. In addition, each Participant shall be provided information concerning the Company equivalent to that information provided generally to the Company's common stockholders.

12. WITHDRAWAL FROM PLAN .

12.1 **Voluntary Withdrawal from the Plan.** A Participant may withdraw from the Plan by signing and delivering to the Company office or representative designated by the Company (including a third-party administrator designated by the Company) a written or electronic notice of withdrawal on a form provided by the Company for this purpose. Such withdrawal may be elected at any time prior to the end of an Offering Period; provided, however, that if a Participant withdraws from the Plan after a Purchase Date, the withdrawal shall not affect shares of Stock acquired by the Participant on such Purchase Date. A Participant who voluntarily withdraws from the Plan is prohibited from resuming participation in the Plan in the same Offering from which he or she withdrew, but may participate in any subsequent Offering by again satisfying the requirements of Sections 5 and 7.1. The Company may impose, from time to time, a requirement that the notice of withdrawal from the Plan be on file with the Company office or representative designated by the Company for a reasonable period prior to the effectiveness of the Participant's withdrawal.

12.2 **Return of Plan Account Balance.** Upon a Participant's voluntary withdrawal from the Plan pursuant to Section 12.1, the Participant's accumulated Plan account balance which has not been applied toward the purchase of shares of Stock shall be refunded to the Participant as soon as practicable after the withdrawal, without the payment of any interest, and the Participant's interest in the Plan and the Offering shall terminate. Such amounts to be refunded in accordance with this Section may not be applied to any other Offering under the Plan.

13. TERMINATION OF EMPLOYMENT OR ELIGIBILITY.

Upon a Participant's ceasing, prior to a Purchase Date, to be an Employee of the Participating Company Group for any reason, including retirement, disability or death, or upon the failure of a Participant to remain an Eligible Employee, the Participant's participation in the Plan shall terminate immediately. In such event, the Participant's Plan account balance which has not been applied toward the purchase of shares of Stock shall, as soon as practicable, be returned to the Participant or, in the case of the Participant's death, to the Participant's beneficiary designated in accordance with Section 20, if any, or legal representative, and all of the Participant's rights under the Plan shall terminate. Interest shall not be paid on sums returned pursuant to this Section 13. A Participant whose participation has been so terminated may again become eligible to participate in the Plan by satisfying the requirements of Sections 5 and 7.1.

14. EFFECT OF CHANGE IN CONTROL ON PURCHASE RIGHTS.

In the event of a Change in Control, the surviving, continuing, successor, or purchasing corporation or parent thereof, as the case may be (the "**Acquiring Corporation**"), may, without the consent of any Participant, either assume or continue the Company's rights and obligations under outstanding Purchase Rights or substitute substantially equivalent purchase rights for the Acquiring Corporation's stock. If the Acquiring Corporation elects not to assume or continue the Company's rights and obligations under outstanding Purchase Rights, the Purchase Date of the then current Offering Period shall be accelerated to a date before the date of the Change in Control specified by the Committee, but the number of shares of Stock subject to

outstanding Purchase Rights shall not be adjusted. All Purchase Rights which are neither assumed or continued by the Acquiring Corporation in connection with the Change in Control nor exercised as of the date of the Change in Control shall terminate and cease to be outstanding effective as of the date of the Change in Control.

15. **NONTRANSFERABILITY OF PURCHASE RIGHTS.**

Neither payroll deductions or other amounts credited to a Participant's Plan account nor a Participant's Purchase Right may be assigned, transferred, pledged or otherwise disposed of in any manner other than as provided by the Plan or by will or the laws of descent and distribution. (A beneficiary designation pursuant to Section 20 shall not be treated as a disposition for this purpose.) Any such attempted assignment, transfer, pledge or other disposition shall be without effect, except that the Company may treat such act as an election to withdraw from the Plan as provided in Section 12.1. A Purchase Right shall be exercisable during the lifetime of the Participant only by the Participant.

16. **COMPLIANCE WITH SECURITIES LAW.**

The issuance of shares under the Plan shall be subject to compliance with all applicable requirements of federal, state and foreign law with respect to such securities. A Purchase Right may not be exercised if the issuance of shares upon such exercise would constitute a violation of any applicable federal, state or foreign securities laws or other law or regulations or the requirements of any securities exchange or market system upon which the Stock may then be listed. In addition, no Purchase Right may be exercised unless (a) a registration statement under the Securities Act shall at the time of exercise of the Purchase Right be in effect with respect to the shares issuable upon exercise of the Purchase Right, or (b) in the opinion of legal counsel to the Company, the shares issuable upon exercise of the Purchase Right may be issued in accordance with the terms of an applicable exemption from the registration requirements of said Act. The inability of the Company to obtain from any regulatory body having jurisdiction the authority, if any, deemed by the Company's legal counsel to be necessary to the lawful issuance and sale of any shares under the Plan shall relieve the Company of any liability in respect of the failure to issue or sell such shares as to which such requisite authority shall not have been obtained. As a condition to the exercise of a Purchase Right, the Company may require the Participant to satisfy any qualifications that may be necessary or appropriate, to evidence compliance with any applicable law or regulation, and to make any representation or warranty with respect thereto as may be requested by the Company.

17. **RIGHTS AS A STOCKHOLDER AND EMPLOYEE.**

A Participant shall have no rights as a stockholder by virtue of the Participant's participation in the Plan until the date of the issuance of the shares of Stock purchased pursuant to the exercise of the Participant's Purchase Right (as evidenced by the appropriate entry on the books of the Company or of a duly authorized transfer agent of the Company). No adjustment shall be made for dividends, distributions or other rights for which the record date is prior to the date such shares are issued, except as provided in Section 4.3. Nothing herein shall confer upon a Participant any right to continue in the employ of the Participating Company Group or interfere

in any way with any right of the Participating Company Group to terminate the Participant's employment at any time.

18. **NOTIFICATION OF DISPOSITION OF SHARES.**

The Company may require the Participant to give the Company prompt notice of any disposition of shares of Stock acquired by exercise of a Purchase Right. The Company may require that until such time as a Participant disposes of shares of Stock acquired upon exercise of a Purchase Right, the Participant shall hold all such shares in the Participant's name (or, if elected by the Participant, in the name of the Participant and his or her spouse but not in the name of any nominee) until the later of two years after the date of grant of such Purchase Right or one year after the date of exercise of such Purchase Right. The Company may direct that the certificates evidencing shares of Stock acquired by exercise of a Purchase Right refer to such requirement to give prompt notice of disposition.

19. **LEGENDS.**

The Company may at any time place legends or other identifying symbols referencing any applicable federal, state or foreign securities law restrictions or any provision convenient in the administration of the Plan on some or all of the certificates representing shares of Stock issued under the Plan. The Participant shall, at the request of the Company, promptly present to the Company any and all certificates representing shares acquired pursuant to a Purchase Right in the possession of the Participant in order to carry out the provisions of this Section. Unless otherwise specified by the Company, legends placed on such certificates may include but shall not be limited to the following:

"THE SHARES EVIDENCED BY THIS CERTIFICATE WERE ISSUED BY THE CORPORATION TO THE REGISTERED HOLDER UPON THE PURCHASE OF SHARES UNDER AN EMPLOYEE STOCK PURCHASE PLAN AS DEFINED IN SECTION 423 OF THE INTERNAL REVENUE CODE OF 1986, AS AMENDED. THE TRANSFER AGENT FOR THE SHARES EVIDENCED HEREBY SHALL NOTIFY THE CORPORATION IMMEDIATELY OF ANY TRANSFER OF THE SHARES BY THE REGISTERED HOLDER HEREOF. THE REGISTERED HOLDER SHALL HOLD ALL SHARES PURCHASED UNDER THE PLAN IN THE REGISTERED HOLDER'S NAME (AND NOT IN THE NAME OF ANY NOMINEE)."

20. **DESIGNATION OF BENEFICIARY.**

20.1 **Designation Procedure.** Subject to local laws and procedures, a Participant may file a written designation of a beneficiary who is to receive (a) shares and cash, if any, from the Participant's Plan account if the Participant dies subsequent to a Purchase Date but prior to delivery to the Participant of such shares and cash, or (b) cash, if any, from the Participant's Plan account if the Participant dies prior to the exercise of the Participant's Purchase Right. If a married Participant designates a beneficiary other than the Participant's spouse, the effectiveness of such designation may be subject to the consent of the Participant's spouse. A Participant may change his or her beneficiary designation at any time by written notice to the Company.

20.2 Absence of Beneficiary Designation. If a Participant dies without an effective designation pursuant to Section 20.1 of a beneficiary who is living at the time of the Participant's death, the Company shall deliver any shares or cash credited to the Participant's Plan account to the Participant's legal representative or as otherwise required by applicable law.

21. NOTICES.

All notices or other communications by a Participant to the Company under or in connection with the Plan shall be deemed to have been duly given when received in the form specified by the Company at the location, or by the person, designated by the Company for the receipt thereof.

22. AMENDMENT OR TERMINATION OF THE PLAN.

The Committee may at any time amend, suspend or terminate the Plan, except that (a) no such amendment, suspension or termination shall affect Purchase Rights previously granted under the Plan unless expressly provided by the Committee, and (b) no such amendment, suspension or termination may adversely affect a Purchase Right previously granted under the Plan without the consent of the Participant, except to the extent permitted by the Plan or as may be necessary to qualify the Plan as an employee stock purchase plan pursuant to Section 423 of the Code or to comply with any applicable law, regulation or rule. In addition, an amendment to the Plan must be approved by the stockholders of the Company within twelve (12) months of the adoption of such amendment if such amendment would authorize the sale of more shares than are then authorized for issuance under the Plan or would change the definition of the corporations that may be designated by the Committee as Participating Companies. Notwithstanding the foregoing, in the event that the Committee determines that continuation of the Plan or an Offering would result in unfavorable financial accounting consequences to the Company, the Committee may, in its discretion and without the consent of any Participant, including with respect to an Offering Period then in progress: (i) terminate the Plan or any Offering Period, (ii) accelerate the Purchase Date of any Offering Period, (iii) reduce the discount or the method of determining the Purchase Price in any Offering Period (e.g., by determining the Purchase Price solely on the basis of the Fair Market Value on the Purchase Date), (iv) reduce the maximum number of shares of Stock that may be purchased in any Offering Period, or (v) take any combination of the foregoing actions.

INDEMNITY AGREEMENT

This Indemnity Agreement, dated as of _____, 2008 (this "Agreement"), is made by and between GRAND CANYON EDUCATION, INC., a Delaware corporation (the "Company"), and _____ (the "the Indemnatee").

RECITALS

A. The Company is aware that competent and experienced persons are increasingly reluctant to serve as directors, officers or agents of corporations unless they are protected by comprehensive liability insurance or indemnification, due to increased exposure to litigation costs and risks resulting from their service to such corporations, and due to the fact that the exposure frequently bears no reasonable relationship to the compensation of such directors, officers and other agents.

B. The statutes and judicial decisions regarding the duties of directors and officers are often difficult to apply, ambiguous, or conflicting, and therefore fail to provide such directors, officers and agents with adequate, reliable knowledge of legal risks to which they are exposed or information regarding the proper course of action to take.

C. Plaintiffs often seek damages in such large amounts and the costs of litigation may be so enormous (whether or not the case is meritorious), that the defense and/or settlement of such litigation are often beyond the personal resources of directors, officers and other agents.

D. The Company believes that it is unfair for its directors, officers and agents and the directors, officers and agents of its subsidiaries to assume the risk of huge judgments and other expenses that may occur in cases in which the director, officer or agent received no personal profit and in cases where the director, officer or agent was not culpable.

E. The Company recognizes that the issues in controversy in litigation against a director, officer or agent of a corporation such as the Company or its subsidiaries are often related to the knowledge, motives and intent of such director, officer or agent, that the Indemnatee is usually the only witness with knowledge of the essential facts and exculpatory circumstances regarding such matters, and that the long period of time that usually elapses before the trial or other disposition of such litigation often extends beyond the time that the director, officer or agent can reasonably recall such matters and may extend beyond the normal time for retirement for such director, officer or agent with the result that the Indemnatee, after retirement or in the event of the Indemnatee's death, the Indemnatee's spouse, heirs, executors or administrators, may be faced with limited ability and undue hardship in maintaining an adequate defense, that may discourage such a director, officer or agent from serving in that position.

F. Based upon their experience as business managers, the Board of Directors of the Company (the "Board") has concluded that, to retain and attract talented and experienced individuals to serve as directors, officers and agents of the Company and its subsidiaries and to encourage such individuals to take the business risks necessary for the success of the Company and its subsidiaries, it is necessary for the Company to contractually indemnify its directors, officers and agents and the directors, officers and agents of its subsidiaries, and to assume for

itself maximum liability for expenses and damages in connection with claims against such directors, officers and agents in connection with their service to the Company and its subsidiaries, and has further concluded that the failure to provide such contractual indemnification could result in great harm to the Company and its subsidiaries and the Company's stockholders.

G. Section 145 of the General Corporation Law of Delaware, under which the Company is organized ("Section 145"), empowers the Company to indemnify its directors, officers, employees and agents by agreement and to indemnify persons who serve, at the request of the Company, as the directors, officers, employees or agents of other corporations or enterprises, and expressly provides that the indemnification provided by Section 145 is not exclusive.

H. The Company desires and has requested the Indemnitee to serve or continue to serve as a director, officer or agent of the Company and/or one or more subsidiaries of the Company free from undue concern for claims for damages arising out of or related to such services to the Company and/or one or more subsidiaries of the Company.

I. The Indemnitee is willing to serve, or to continue to serve, the Company and/or one or more subsidiaries of the Company, provided that the Indemnitee is furnished the indemnity provided for herein.

AGREEMENT

NOW, THEREFORE, the parties hereto, intending to be legally bound, hereby agree as follows:

1. **Definitions.**

(a) **Agent.** For the purposes of this Agreement, "agent" of the Company means any person who is or was a director, officer, employee or other agent of the Company or a subsidiary of the Company; or is or was serving at the request of, for the convenience of, or to represent the interests of the Company or a subsidiary of the Company as a director, officer, employee or agent of another foreign or domestic corporation, partnership, joint venture, trust or other enterprise; or was a director, officer, employee or agent of a foreign or domestic corporation that was a predecessor corporation of the Company or a subsidiary of the Company, or was a director, officer, employee or agent of another enterprise at the request of, for the convenience of, or to represent the interests of such predecessor corporation.

(b) **Expenses.** For purposes of this Agreement, "expenses" include all out-of-pocket costs of any type or nature whatsoever (including, without limitation, all attorneys' fees and related disbursements), actually and reasonably incurred by the Indemnitee in connection with either the investigation, defense or appeal of a proceeding or establishing or enforcing a right to indemnification under this Agreement or Section 145 or otherwise; provided, however, that "expenses" shall not include any judgments, fines, ERISA excise taxes or penalties, or amounts paid in settlement of a proceeding.

(c) Proceeding. For the purposes of this Agreement, “proceeding” means any threatened, pending, or completed action, suit or other proceeding, whether civil, criminal, administrative, or investigative.

(d) Subsidiary. For purposes of this Agreement, “subsidiary” means any corporation of which more than 50% of the outstanding voting securities is owned directly or indirectly by the Company, by the Company and one or more other subsidiaries, or by one or more other subsidiaries.

2. Agreement to Serve. the Indemnatee agrees to serve and/or continue to serve as agent of the Company, at its will (or under separate agreement, if such agreement exists), in the capacity the Indemnatee currently serves as an agent of the Company, so long as the Indemnatee is duly appointed or elected and qualified in accordance with the applicable provisions of the Bylaws of the Company or any subsidiary of the Company or until such time as the Indemnatee tenders the Indemnatee's resignation in writing; provided, however, that nothing contained in this Agreement is intended to create any right to continued employment by the Indemnatee.

3. Liability Insurance.

(a) Maintenance of D&O Insurance. The Company hereby covenants and agrees that, so long as the Indemnatee shall continue to serve as an agent of the Company and thereafter so long as the Indemnatee shall be subject to any possible Proceeding by reason of the fact that the Indemnatee was an agent of the Company, the Company, subject to Section 3(c), shall promptly obtain and maintain in full force and effect directors' and officers' liability insurance (“D&O Insurance”) in reasonable amounts from established and reputable insurers. In the event the Company is acquired, this provision shall be fulfilled by the purchase of a six year tail policy of D&O Insurance. At Indemnatee's request, Company shall arrange for an annual review of the D&O Insurance by a party other than the procuring brokers, and share the results of that review with Indemnatee.

(b) Rights and Benefits. In all policies of D&O Insurance, the Indemnatee shall be named as an insured in such a manner as to provide the Indemnatee the same rights and benefits as are accorded to the most favorably insured of the Company's directors, if the Indemnatee is a director; or of the Company's officers, if the Indemnatee is not a director of the Company, but is an officer; or of the Company's key employees, if the Indemnatee is not a director or officer, but is a key employee.

(c) Notice. The Company shall give prompt notice as required under the D&O Insurance of such claims as may be covered under such policies and which may be trigger the indemnification or advancement obligations in this Agreement. On request, the Company shall provide to Indemnatee a copy of such notice delivered to the applicable insurers, and on request from Indemnatee shall provide copies of all subsequent correspondence between the Company and such insurers regarding the claim, in each case substantially concurrently with the delivery or receipt thereof by the Company.

(d) Limitation on Required Maintenance of D&O Insurance. Notwithstanding the foregoing, the Company shall have no obligation to obtain or maintain D&O Insurance if the

Company determines in good faith that such insurance is not reasonably available, the premium costs for such insurance are disproportionate to the amount of coverage provided, the coverage provided by such insurance is limited by exclusions so as to provide an insufficient benefit, or the Indemnatee is covered by similar insurance maintained by a subsidiary of the Company.

4. Mandatory Indemnification. Subject to Section 9 below, the Company shall indemnify the Indemnatee as follows:

(a) Third Party Actions. If the Indemnatee is a person who was or is a party or is threatened to be made a party to any proceeding (other than an action by or in the right of the Company) by reason of the fact that the Indemnatee is or was an agent of the Company, or by reason of anything done or not done by the Indemnatee in any such capacity, the Company shall indemnify the Indemnatee against any and all expenses and liabilities of any type whatsoever (including, but not limited to, judgments, fines, ERISA excise taxes and penalties, and amounts paid in settlement) actually and reasonably incurred by the Indemnatee in connection with the investigation, defense, settlement or appeal of such proceeding, provided the Indemnatee acted in good faith and in a manner the Indemnatee reasonably believed to be in or not opposed to the best interests of the Company and its stockholders, and, with respect to any criminal action or proceeding, had no reasonable cause to believe the Indemnatee's conduct was unlawful.

(b) Derivative Actions. If the Indemnatee is a person who was or is a party or is threatened to be made a party to any proceeding by or in the right of the Company by reason of the fact that the Indemnatee is or was an agent of the Company, or by reason of anything done or not done by the Indemnatee in any such capacity, the Company shall indemnify the Indemnatee against all expenses actually and reasonably incurred by the Indemnatee in connection with the investigation, defense, settlement, or appeal of such proceeding, provided the Indemnatee acted in good faith and in a manner the Indemnatee reasonably believed to be in or not opposed to the best interests of the Company and its stockholders; except that no indemnification under this subsection 4(b) shall be made in respect to any claim, issue or matter as to which such person shall have been finally adjudged to be liable to the Company by a court of competent jurisdiction unless and only to the extent that the court in which such proceeding was brought shall determine upon application that, despite the adjudication of liability but in view of all the circumstances of the case, such person is fairly and reasonably entitled to indemnity for such amounts that the court shall deem proper.

(c) Actions where the Indemnatee is Deceased. If the Indemnatee is a person who was or is a party or is threatened to be made a party to any proceeding by reason of the fact that the Indemnatee is or was an agent of the Company, or by reason of anything done or not done by the Indemnatee in any such capacity, and if prior to, during the pendency of after completion of such proceeding the Indemnatee becomes deceased, the Company shall indemnify the Indemnatee's heirs, executors and administrators against any and all expenses and liabilities of any type whatsoever (including, but not limited to, judgments, fines, ERISA excise taxes and penalties, and amounts paid in settlement) actually and reasonably incurred to the extent the Indemnatee would have been entitled to indemnification pursuant to Sections 4(a) or 4(b) above were the Indemnatee still alive.

(d) Limitations. Notwithstanding the foregoing, the Company shall not be obligated to indemnify the Indemnitee for expenses or liabilities of any type whatsoever (including, but not limited to, judgments, fines, ERISA excise taxes and penalties, and amounts paid in settlement) for which payment is actually made to or on behalf of the Indemnitee under a valid and collectible insurance policy of D&O Insurance, or under a valid and enforceable indemnity clause, bylaw or agreement.

(e) Witness. If Indemnitee is subpoenaed to appear as a witness or produce documents, he shall be considered a “party” to that proceeding under the advancement and indemnification provisions herein, subject to all other restrictions and requirements.

(f) Taxes. To the extent allowed by law, if any advancement or indemnification is subject to taxes to be paid by Indemnitee, then Company agrees to advance or indemnify such tax payments to Indemnitee as an “expense.” Indemnitee will take all reasonable measures to minimize or eliminate such tax liability.

(g) Investigations. Both formal and so-called informal investigations shall be considered “Proceedings” under the advancement and indemnification language herein, subject to all other restrictions and requirements.

5. Partial Indemnification. If the Indemnitee is entitled under any provision of this Agreement to indemnification by the Company for some or a portion of any expenses or liabilities of any type whatsoever (including, but not limited to, judgments, fines, ERISA excise taxes and penalties, and amounts paid in settlement) incurred by the Indemnitee in the investigation, defense, settlement or appeal of a proceeding, but not entitled, however, to indemnification for all of the total amount hereof, the Company shall nevertheless indemnify the Indemnitee for such total amount except as to the portion hereof to which the Indemnitee is not entitled.

6. Mandatory Advancement of Expenses. Subject to Section 9(a) below, the Company shall advance all expenses incurred by the Indemnitee in connection with the investigation, defense, settlement or appeal of any proceeding to which the Indemnitee is a party or is threatened to be made a party by reason of the fact that the Indemnitee is or was an agent of the Company. The Indemnitee hereby undertakes to repay such amounts advanced only if, and to the extent that, it shall be determined ultimately by final disposition that the Indemnitee is not entitled to be indemnified by the Company as authorized hereby. Such undertaking shall not be secured and, to the extent allowed by law, shall not be subject to interest. The advances to be made hereunder shall be paid by the Company to the Indemnitee within twenty (20) days following delivery of a written request therefor by the Indemnitee to the Company, accompanied by invoices received by Indemnitee in connection with such Expenses (but, in the case of invoices in connection with legal services, any references to specific legal work performed or to expenditures made that would cause Indemnitee to waive any privilege accorded by applicable law shall not be included with the invoice). In the event that the Company fails to pay expenses as incurred by the Indemnitee as required by this paragraph, the Indemnitee may seek mandatory injunctive relief from any court having jurisdiction to require the Company to pay expenses as set forth in this paragraph. If the Indemnitee seeks mandatory injunctive relief or specific performance pursuant to this paragraph, it shall not be a defense to enforcement of the

Company's obligations set forth in this paragraph that the Indemnitee has an adequate remedy at law for damages or will not suffer irreparable harm, nor shall Indemnitee be required to post a bond in connection with seeking or obtaining such relief.

7. Notice and Other Indemnification Procedures.

(a) Notice by the Indemnitee. Promptly after receipt by the Indemnitee of notice of the commencement of or the threat of commencement of any proceeding, the Indemnitee shall, if the Indemnitee believes that indemnification with respect thereto may be sought from the Company under this Agreement, notify the Company of the commencement or threat of commencement thereof.

(b) Notice by Company. If, at the time of the receipt of a notice of the commencement of a proceeding pursuant to Section 7(a) hereof, the Company has D&O Insurance in effect, the Company shall give prompt notice of the commencement of such proceeding to the insurers in accordance with the procedures set forth in the respective policies. The Company shall thereafter take all necessary or desirable action to cause such insurers to pay, on behalf of the Indemnitee, all amounts payable as a result of such proceeding in accordance with the terms of such policies.

(c) Defense. In the event the Company shall be obligated to pay the expenses of any proceeding against the Indemnitee, the Company, if appropriate, shall be entitled to assume the defense of such proceeding, with counsel approved by the Indemnitee, upon the delivery to the Indemnitee of written notice of its election so to do. After delivery of such notice, approval of such counsel by the Indemnitee and the retention of such counsel by the Company, the Company will not be liable to the Indemnitee under this Agreement for any fees of counsel subsequently incurred by the Indemnitee with respect to the same proceeding, provided that (i) the Indemnitee shall have the right to employ the Indemnitee's counsel in any such proceeding at the Indemnitee's expense; and (ii) if (A) the employment of counsel by the Indemnitee has been previously authorized by the Company; (B) the Indemnitee shall have reasonably concluded that there may be a conflict of interest between the Company and the Indemnitee in the conduct of any such defense, or (C) the Company shall not, in fact, have employed counsel to assume the defense of such proceeding, then the fees and expenses of the Indemnitee's counsel shall be at the expense of the Company. The Company agrees, to the extent allowed by law, to allocate all defense expenses, incurred jointly with Indemnitee, solely to the defense of the Company.

8. Determination of Right to Indemnification.

(a) Successful Defense. To the extent the Indemnitee has been successful on the merits or otherwise in defense of any proceeding (including, without limitation, an action by or in the right of the Company) to which the Indemnitee was a party by reason of the fact that the Indemnitee is or was an agent of the Company at any time, the Company shall indemnify the Indemnitee against all expenses of any type whatsoever actually and reasonably incurred by the Indemnitee in connection with the investigation, defense or appeal of such proceeding.

(b) Other Situations. In the event that Section 8(a) is inapplicable, the Company shall also indemnify the Indemnitee unless, and except to the extent that, the Company shall prove by clear and convincing evidence in a forum listed in Section 8(c) below that the Indemnitee has not met the applicable standard of conduct required to entitle the Indemnitee to such indemnification.

(c) Selection of Forum. The Indemnitee shall be entitled to select the forum in which the validity of the Company's claim under Section 8(b) hereof that the Indemnitee is not entitled to indemnification will be heard from among the following:

- (i) A quorum of the Board consisting of directors who are not parties to the proceeding for which indemnification is being sought;
- (ii) The stockholders of the Company;
- (iii) Legal counsel selected by the Indemnitee, and reasonably approved by the Board, which counsel shall make such determination in a written opinion; or
- (iv) A panel of three arbitrators, one of whom is selected by the Company, another of whom is selected by the Indemnitee and the last of whom is selected by the first two arbitrators so selected.

(d) Submission to Forum. As soon as practicable, and in no event later than thirty (30) days after written notice of the Indemnitee's choice of forum pursuant to Section 8(c) above, the Company shall, at its own expense, submit to the selected forum in such manner as the Indemnitee or the Indemnitee's counsel may reasonably request, its claim that the Indemnitee is not entitled to indemnification; and the Company shall act in the utmost good faith to assure the Indemnitee a complete opportunity to defend against such claim.

(e) Application to Court of Chancery. Notwithstanding a determination by any forum listed in Section 8(c) hereof that the Indemnitee is not entitled to indemnification with respect to a specific proceeding, the Indemnitee shall have the right to apply to the Court of Chancery of Delaware, the court in which that proceeding is or was pending or any other court of competent jurisdiction, for the purpose of enforcing the Indemnitee's right to indemnification pursuant to this Agreement. The Company hereby consents to service of process and to appear in any such proceeding.

(f) Expenses Related to this Agreement. Notwithstanding any other provision in this Agreement to the contrary, the Company shall indemnify the Indemnitee against all expenses incurred by the Indemnitee in connection with any hearing or proceeding under this Section 8 involving the Indemnitee and against all expenses incurred by the Indemnitee in connection with any other proceeding between the Company and the Indemnitee involving the interpretation or enforcement of the rights of the Indemnitee under this Agreement unless a court of competent jurisdiction finds that each of the claims and/or defenses of the Indemnitee in any such proceeding was frivolous or made in bad faith.

9. Exceptions. Any other provision herein to the contrary notwithstanding, the Company shall not be obligated pursuant to the terms of this Agreement:

(a) Claims Initiated by the Indemnitee. To indemnify or advance expenses to the Indemnitee with respect to proceedings or claims initiated or brought voluntarily by the Indemnitee and not by way of defense, unless (i) such indemnification is expressly required to be made by law, (ii) the proceeding was authorized by the Board, (iii) such indemnification is provided by the Company, in its sole discretion, pursuant to the powers vested in the Company under the General Corporation Law of Delaware or (iv) the proceeding is brought to establish or enforce a right to indemnification under this Agreement or any other statute or law or otherwise as required under Section 145;

(b) Lack of Good Faith. To indemnify the Indemnitee for any expenses incurred by the Indemnitee with respect to any proceeding instituted by the Indemnitee to enforce or interpret this Agreement, if a court of competent jurisdiction determines that each of the material assertions made by the Indemnitee in such proceeding was not made in good faith or was frivolous; or

(c) Unauthorized Settlements. To indemnify the Indemnitee under this Agreement for any amounts paid in settlement of a proceeding unless the Company consents to such settlement, which consent shall not be unreasonably withheld.

10. Non-exclusivity. The provisions for indemnification and advancement of expenses set forth in this Agreement shall not be deemed exclusive of any other rights that the Indemnitee may have under any provision of law, the Company's Certificate of Incorporation or Bylaws, the vote of the Company's stockholders or disinterested directors, other agreements, or otherwise, both as to action in the Indemnitee's official capacity and to action in another capacity while occupying the Indemnitee's position as an agent of the Company, and the Indemnitee's rights hereunder shall continue after the Indemnitee has ceased acting as an agent of the Company and shall inure to the benefit of the heirs, executors and administrators of the Indemnitee.

11. Enforcement. Any right to indemnification or advances granted by this Agreement to the Indemnitee shall be enforceable by or on behalf of the Indemnitee in any court of competent jurisdiction if (i) the claim for indemnification or advances is denied, in whole or in part, or (ii) no disposition of such claim is made within ninety (90) days of request therefor. The Indemnitee, in such enforcement action, if successful in whole or in part, shall be entitled to be paid also the expense of prosecuting the Indemnitee's claim. It shall be a defense to any action for which a claim for indemnification is made under this Agreement (other than an action brought to enforce a claim for expenses pursuant to Section 6 hereof, provided that the required undertaking has been tendered to the Company) that the Indemnitee is not entitled to indemnification because of the limitations set forth in Sections 4 and 9 hereof. Neither the failure of the Company (including its Board of Directors or its stockholders) to have made a determination prior to the commencement of such enforcement action that indemnification of the Indemnitee is proper in the circumstances, nor an actual determination by the Company (including its Board of Directors or its stockholders) that such indemnification is improper, shall

be a defense to the action or create a presumption that the Indemnitee is not entitled to indemnification under this Agreement or otherwise.

12. Subrogation. In the event the Company is obligated to make a payment under this Agreement, the Company shall be subrogated to the extent of such payment to all of the rights of recovery under an insurance policy or any other indemnity agreement covering the Indemnitee, who shall execute all documents required and shall do all acts that may be necessary to secure such rights and to enable the Company effectively to bring suit to enforce such rights.

13. Survival of Rights.

(a) All agreements and obligations of the Company contained herein shall continue during the period the Indemnitee is an agent of the Company and shall continue after Indemnitee has ceased to be so, so long as the Indemnitee shall be subject to any possible claim or threatened, pending or completed action, suit or proceeding, whether civil, criminal, arbitrational, administrative or investigative, by reason of the fact that the Indemnitee was serving in the capacity referred to herein.

(b) The Company shall require any successor to the Company (whether direct or indirect, by purchase, merger, consolidation or otherwise) to all or substantially all of the business or assets of the Company, expressly to assume and agree to perform this Agreement in the same manner and to the same extent that the Company would be required to perform if no such succession had taken place.

14. Interpretation of Agreement. It is understood that the parties hereto intend this Agreement to be interpreted and enforced so as to provide indemnification to the Indemnitee to the fullest extent permitted by law including those circumstances in which indemnification would otherwise be discretionary. This includes, without limitation, retroactive extension of Indemnitee's rights to advancement and indemnification for allegations of otherwise qualified acts or omissions that predate this Agreement. In the event of any change after the date of this Agreement in any applicable law, statute or rule which expands the right of a Delaware corporation to indemnify a member of its Board of Directors or an officer, employee, agent or fiduciary, it is the intent of the parties hereto that Indemnitee shall enjoy by this Agreement the greater benefits afforded by such change. In the event of any change in any applicable law, statute or rule which narrows the right of a Delaware corporation to indemnify a member of its Board of Directors or an officer, employee, agent or fiduciary, such change, to the extent not otherwise required by such law, statute or rule to be applied to this Agreement, shall have no effect on this Agreement or the parties' rights and obligations hereunder.

15. Severability. If any provision or provisions of this Agreement shall be held to be invalid, illegal or unenforceable for any reason whatsoever, (i) the validity, legality and enforceability of the remaining provisions of the Agreement (including without limitation, all portions of any paragraphs of this Agreement containing any such provision held to be invalid, illegal or unenforceable, that are not themselves invalid, illegal or unenforceable) shall not in any way be affected or impaired thereby, and (ii) to the fullest extent possible, the provisions of this Agreement (including, without limitation, all portions of any paragraph of this Agreement containing any such provision held to be invalid, illegal or unenforceable, that are not themselves

invalid, illegal or unenforceable) shall be construed so as to give effect to the intent manifested by the provision held invalid, illegal or unenforceable and to give effect to Section 14 hereof.

16. Modification and Waiver. No supplement, modification or amendment of this Agreement shall be binding unless executed in writing by both of the parties hereto. No waiver of any of the provisions of this Agreement shall be deemed or shall constitute a waiver of any other provisions hereof (whether or not similar) nor shall such waiver constitute a continuing waiver.

17. Notice. All notices, requests, demands and other communications under this Agreement shall be in writing and shall be deemed duly given (i) if delivered by hand and receipted for by the party addressee or (ii) if mailed by certified or registered mail with postage prepaid, on the third business day after the mailing date. Addresses for notice to either party are as shown on the signature page of this Agreement, or as subsequently modified by written notice.

18. Governing Law. This Agreement shall be governed exclusively by and construed according to the laws of the State of Delaware as applied to contracts between Delaware residents entered into and to be performed entirely within Delaware.

The parties hereto have entered into this Indemnity Agreement effective as of the date first above written.

THE COMPANY:

GRAND CANYON EDUCATION, INC, a
Delaware corporation

By _____
Title _____
Address _____

THE INDEMNITEE:

Print Name:
Address _____

Consent of Independent Registered Public Accounting Firm

We consent to the reference to our firm under the caption “Experts” and to the use of our report dated May 12, 2008 (except for Note 3, as to which the date is August 11, 2008, and Note 17, as to which the date is September 29, 2008), in Amendment No. 2 to the Registration Statement (Form S-1 No. 333-150876) and related Prospectus of Grand Canyon Education, Inc. for the registration of 10,500,000 shares of its common stock.

/s/ Ernst & Young LLP

Phoenix, Arizona
September 29, 2008

Via EDGAR and by courier

Larry Spigel
Assistant Director
United States Securities and Exchange Commission
Mail Stop 3720
100 F Street NE
Washington, D.C. 20549

**RE: Grand Canyon Education, Inc.
Amendment No. 1 to Registration Statement on Form S-1
Filed on August 13, 2008
File No. 333-150876**

Dear Mr. Spigel:

This letter responds to the letter of the staff of the Securities and Exchange Commission (the "Staff"), dated August 21, 2008, to Grand Canyon Education, Inc. (the "Company,"") regarding Amendment No. 1 to Registration Statement on Form S-1, File No. 333-150876 (the "Registration Statement"), filed by the Company on August 13, 2008.

This letter sets forth each comment of the Staff in the comment letter (numbered in accordance with the comment letter) and, following each comment, sets forth the Company's response. We are enclosing a copy of Amendment No. 2 to the Registration Statement on Form S-1, together with a copy that is marked to show the changes from the filing made on August 13, 2008.

Management's Discussion and Analysis of Financial Condition and Results of Operations

Internal Control Over Financial Reporting, page 47

Staff Comment:

1. We note your disclosure on page F-15 regarding errors in the accounting for the shares to be issued in connection with the license agreement with Blanchard Education, LLC and in the accounting for deferred taxes at the date of your conversion from a limited liability company to a corporation. Please expand your disclosure to discuss these errors and their impact in your internal control over financial reporting.

Company Response:

The accounting errors relating to the shares to be issued in connection with the license agreement with Blanchard Education, LLC were summarized in the fourth bullet point in the list of accounting errors that started on what was page 47 of the Registration Statement. In response to the Staff's comment, however, the Company deleted the phrase "2004 and 2005" in this fourth bullet point, which now appears on page 50 of the Registration Statement, and replaced it with the phrase "in all periods" to help link the summary with the recent accounting errors relating to the shares to be issued to Blanchard Education, LLC. In addition, in response to the Staff's comment, the Company has amended the Registration Statement and expanded its disclosure to discuss the errors in the accounting for deferred taxes at the date of its conversion from a limited liability company to a corporation.

Regulation

State Education Licensure and Regulation, page 81

Staff Comment:

2. We note your response to comment 14 in our letter dated June 10, 2008. Please revise your disclosure to discuss the information set forth in your response regarding your belief that none of the states in which you are currently licensed or authorized, other than Arizona, are material to your operations, and that you will be able to comply with additional state licensing or authorization requirements that may arise or be asserted in the future.

Company Response:

In response to the Staff's comment, the Company has amended the Registration Statement to include a statement that the Company believes that none of the states in which it is currently licensed or authorized, other than Arizona, are individually material to its operations, and that it believes it will be able to comply with additional state licensing or authorization requirements that may arise or be asserted in the future.

Consolidated Financial Statements

Balance Sheet, page F-3

Staff Comment:

3. We note your response to comment 24 in our letter dated June 10, 2008 and disclosures in Note 17(b) on page F-30. Please delete the pro forma balance sheet as of December 31, 2007.

Company Response:

In response to the Staff's comment, the Company has amended the Registration Statement to delete the pro forma balance sheet as of December 31, 2007.

Note 11. Series B Preferred Stock, page F-23

Staff Comment:

4. We note your response to comment 33 in our letter dated June 10, 2008. Please disclose that the fair value of Series C preferred stock issued was equal to the carrying amount of the Series B preferred stock at the date of the exchange.

Company Response:

In response to the Staff's comment, the Company has amended the Registration Statement to disclose that the fair value of Series C preferred stock issued was equal to the carrying amount of the Series B preferred stock at the date of the exchange.

* * * *

If you require any additional information on these issues, or if we can provide you with any other information that will facilitate your continued review of this filing, please advise us at your earliest convenience. You may reach me at (602) 639-6820.

Sincerely,

Grand Canyon Education, Inc.

By: /s/ Christopher C. Richardson
Name: Christopher C. Richardson
Its: General Counsel

Enclosures

cc: DLA Piper US LLP
Steven D. Pidgeon, Esq. (via e-mail: steven.pidgeon@dlapiper.com)
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