As a result of the foregoing, educational services and facilities expenses, as a percentage of revenue, increased to 43.5% for the year ended December 31, 2011 from 37.5% for the year ended December 31, 2010.

Selling, general and administrative expenses. Our selling, general and administrative expenses for the year ended December 31, 2011 were $244.4 million, a decrease of $26.5 million, or 9.8%, from $270.9 million for the year ended December 31, 2010. The decrease in our selling, general and administrative expenses was primarily due to a $16.5 million, or 11.5%, decrease in administrative expenses, a $9.4 million, or 9.3%, decrease in sales and marketing expenses and a $0.6 million, or 2.3%, decrease in student services expenses.

The decrease in administrative expenses was primarily due to a $8.5 million reduction in bad debt expense and a $8.0 million reduction in compensation and benefits. These reductions were partially offset by additional administrative expenses at our three new campuses.

Our bad debt expense as a percentage of revenue was 6.0% for the year ended December 31, 2011 and was essentially flat compared to 2010. The number of days revenue outstanding at December 31, 2011 decreased to 18.0 days, compared to 23.1 days at December 31, 2010. This improvement in days outstanding is attributable to the completion of centralizing the transmission process of financial aid disbursement files.

As of December 31, 2011, we had outstanding loan commitments to our students of $26.4 million as compared to $17.3 million at December 31, 2010. Loan commitments, net of interest that would be due on the loans through maturity, were $20.2 million at December 31, 2011 as compared to $15.4 million at December 31, 2010. The increase in loan commitment during the year is attributable to changes we made to certain programs to create financing gaps for our students to better enable us to comply with the 90/10 Rule.

The decrease in sales and marketing expenses during the year ended December 31, 2011 was primarily due to a decrease in the number of admissions representatives in order to align our cost structure to our population. This resulted in savings of approximately $6.8 million. In addition, we aligned our marketing expenses to meet the capacity of our reduced sales force partially offset by additional marketing expenses at our three new campuses which resulted in a net reduction of $3.3 million for the year.

We strive to align our expenses throughout the year to our student population. As our population increases or decreases, we align our personnel and our expenses to the extent possible to meet the needs of our existing population.

As a percentage of revenues, selling, general and administrative expenses for the year ended December 31, 2011 increased to 47.7% from 42.3% for the year ended December 31, 2010.

Impairment of goodwill and long-lived assets. At September 30, 2011, we tested our goodwill and determined an impairment of approximately $9.4 million existed for five reporting units. The impairment of goodwill was triggered by a decrease in our market capitalization. There was a $1.0 million impairment of long-lived assets due to a regional accreditation indefinite intangible asset that is no longer being utilized. At December 31, 2011, we tested our goodwill for impairment and determined no impairment charge was necessary. At December 31, 2010, we tested our goodwill for impairment and determined that an impairment of approximately $6.2 million existed for three of our reporting units.

Net interest expense. Our net interest expense for the year ended December 31, 2011 was essentially flat compared to the year ended December 31, 2010.

Income taxes. Our provision for income taxes for the year ended December 31, 2011 was $13.0 million, or 42.7% of pretax income, compared to $48.5 million, or 41.0% of pretax income for the year ended December 31, 2010. The effective tax rate increase was due to an increase in nondeductible goodwill impairment charges for the year ended December 31, 2011.

Year Ended December 31, 2010 Compared to Y

continue our organic growth, strategic acquisitions of operations will be considered. To the extent that these potential strategic acquisitions are large enough to require financing beyond available cash from operations and borrowings under our credit facilities, we may incur additional debt and/or issue additional debt or equity securities.

Capital expenditures are expected to range from 4% to 5% of revenues in 2012 and we expect to fund these capital expenditures with cash generated from operating activities and, if necessary, with borrowings under our credit facility.

Year Ended December 31, 2010 Compared to the Year Ended December 31, 2009. Net cash used in investing activities decreased $9.5 million to $42.1 million for the year ended December 31, 2010 from $51.6 million for the year ended December 31, 2009. This decrease was primarily attributable to a $27.6 million decrease in cash used in acquisitions offset by $18.3 million increase in capital expenditures for the year ended December 31, 2010 from the year ended December 31, 2009. Our capital expenditures primarily resulted from facility expansion, leasehold improvements, and investments in classroom and shop technology.

Financing Activities

Year Ended December 31, 2011 Compared to the Year Ended December 31, 2010. Net cash used in financing activities decreased by $13.5 million to $38.9 million for the year ended December 31, 2011, from $52.4 million for the year ended December 31, 2010. This decrease was primarily attributable to our purchase of $50.0 million of our common stock during 2010. This was partially offset by our increased dividend payments of $12.9 million during the year ended December 31, 2011, a $3.8 million reduction in proceeds from the exercise of stock options and tax benefit associated with share based awards during the year ended December 31, 2011, as compared to the same period in 2010 and decrease borrowings of $20.0 million for the year ended December 31, 2011.

Year Ended December 31, 2010 Compared to the Year Ended December 31, 2009. Net cash used in financing activities was $52.4 million for the year ended December 31, 2010, as compared to net cash provided by financing activities of $9.3 million for the year ended December 31, 2009. The decrease of $61.7 million was primarily attributable to (a) $20.0 million of net proceeds received under our credit facility in 2009; (b) additional repurchase of $23.9 million of our common stock during 2010 over 2009; (c) $5.6 million of dividends paid during the fourth quarter of 2010; and (d) $14.9 million of net proceeds received from our issuance of our common stock in 2009; which were offset by $1.9 million of stock options proceeds and related tax benefits for 2010 over 2009.

Credit Agreement. On December 1, 2009, we, as borrower, and all of our wholly-owned subsidiaries, as guarantors, entered into a secured revolving credit facility with a syndicate of seven lenders led by Bank of America, N.A., as administrative agent, swing line lender and letter of credit issuer, for an aggregate principal amount of up to $115 million.

Amounts borrowed as revolving loans under the credit facility bear interest, at our option, at either (i) an interest rate based on LIBOR and adjusted for any reserve percentage obligations under Federal Reserve Bank regulations, or the "Euro Dollar Rate," for specified interest periods or (ii) the Base Rate (as defined in the credit agreement), in each case, plus an applicable margin rate as determined under the credit agreement. The "Base Rate," as defined under the credit agreement, is the highest of (a) the prime rate, (b) the Federal Funds rate plus 0.50% and (c) a daily rate equal to one-month of the Euro Dollar Rate plus 1.0%. Under the credit agreement, the margin interest rate is subject to adjustment within a range of 1.50% to 3.25% based upon changes in our consolidated leverage ratio and depending on whether we have chosen the Euro Dollar Rate or the Base Rate option. Swing line loans will bear interest at the Base Rate plus the applicable margin rate. Letters of credit require a fee equal to the applicable margin rate multiplied by the daily amount available to be drawn under each issued letter of credit plus a fronting fee of 0.125% of the amount available to be drawn and customary issuance, presentation, amendment and other processing fees associated with letters of credit. At December 31, 2011, we had outstanding letters of credit aggregating $1.6 million which is primarily comprised of security deposits in connection with certain of our real estate leases. Our credit agreement matures on December 1, 2012.

The credit agreement contains customary representations, warranties and covenants including consolidated adjusted net worth, consolidated leverage ratio, consolidated fixed charge coverage ratio, minimum financial responsibility composite score, cohort default rate and other financial covenants, certain restrictions on capital expenditures as well as affirmative and negative covenants and events of default customary for facilities of this type. In addition, we are paying fees to the lenders that are customary for facilities of this type.

	As of December 31,	
	2011	**2010**
Credit agreement	$ -	$ 20,000
Finance obligation	9,672	9,672
Capital lease-property (with a rate of 8.0%)	26,715	26,986
Capital leases-equipment (with rates ranging from 5.0% to 8.5%)	121	287
Subtotal	36,508	56,945
Less current maturities	(481)	(437)
Total long-term debt	$ 36,027	$ 56,508

PART IV

ITEM 15. EXHIBITS AND FINANCIAL STATEMENT SCHEDULES

1. Financial Statements

See "Index to Consolidated Financial Statements" on page F-1 of this Annual Report on Form 10-K.

2. Financial Statement Schedules

See "Index to Consolidated Financial Statements" on page F-1 of this Annual Report on Form 10-K.

3. Exhibits Required by Item 601 of Regulation S-K

Exhibit Number	Description
3.1	Amended and Restated Certificate of Incorporation of the Company (1).
3.2	Amended and Restated By-laws of the Company (2).
4.1	Management Stockholders Agreement, dated as of January 1, 2002, by and among Lincoln Technical Institute, Inc., Back to School Acquisition, L.L.C. and the Stockholders and other holders of options under the Management Stock Option Plan listed therein (1).
4.2	Assumption Agreement and First Amendment to Management Stockholders Agreement, dated as of December 20, 2007, by and among Lincoln Educational Services Corporation, Lincoln Technical Institute, Inc., Back to School Acquisition, L.L.C. and the Management Investors parties therein (3).
4.3	Registration Rights Agreement, dated as of June 27, 2005, between the Company and Back to School Acquisition, L.L.C. (2).
4.4	Specimen Stock Certificate evidencing shares of common stock (1).
10.1	Credit Agreement, dated as of December 1, 2009, among the Company, the Guarantors from time to time parties thereto, the Lenders from time to time parties thereto and Bank of America, N.A., as Administrative Agent (5).
10.2	Consulting Agreement, dated December 9, 2010, between the Company and David F. Carney (7).
10.3	Employment Agreement, dated as of January 17, 2011, between the Company and Scott M. Shaw (8).
10.4	Employment Agreement, dated as of January 17, 2011, between the Company and Cesar Ribeiro (8).
10.5	Employment Agreement, dated as of January 17, 2011, between the Company and Shaun E. McAlmont (8).
10.6	Employment Agreement, dated as of November 1, 2011, between the Company and Piper P. Jameson (10).
10.7	Lincoln Educational Services Corporation 2005 Long-Term Incentive Plan (1).
10.8	Lincoln Educational Services Corporation 2005 Non-Employee Directors Restricted Stock Plan (1).
10.9	Lincoln Educational Services Corporation 2005 Deferred Compensation Plan (1).
10.10	Lincoln Technical Institute Management Stock Option Plan, effective January 1, 2002 (1).
10.11	Form of Stock Option Agreement, dated January 1, 2002, between Lincoln Technical Institute, Inc. and certain participants (1).
10.12	Form of Stock Option Agreement under our 2005 Long-Term Incentive Plan (4).
10.13	Form of Restricted Stock Agreement under our 2005 Long-Term Incentive Plan (4).

10.14	Form of Performance-Based Restricted Stock Award Agreement under our Amended & Restated 2005 Long-Term Incentive Plan (9).
10.15	Management Stock Subscription Agreement, dated January 1, 2002, among Lincoln Technical Institute, Inc. and certain management investors (1).
10.16	Stock Repurchase Agreement, dated as of December 15, 2009, among Lincoln Educational Services Corporation and Back to School Acquisition, L.L.C (6).
21.1*	Subsidiaries of the Company.
23*	Consent of Independent Registered Public Accounting Firm.
31.1 *	Certification of President & Chief Executive Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
31.2 *	Certification of Chief Financial Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
32 *	Certification of President & Chief Executive Officer and Chief Financial Officer pursuant to 18 U.S.C. 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
101**	The following financial statements from Lincoln Educational Services Corporation's Quarterly Report on Form 10-K for the year ended December 31, 2011, filed on March 9, 2012, formatted in XBRL: (i) Condensed Consolidated Statements of Operations, (ii) Condensed Consolidated Balance Sheets, (iii) Condensed Consolidated Statements of Cash Flows, and (iv) the Notes to Condensed Consolidated Financial Statements, tagged as blocks of text and in detail.

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(1) Incorporated by reference to the Company's Registration Statement on Form S-1 (Registration No. 333-123644).

(2) Incorporated by reference to the Company's Form 8-K filed June 28, 2005.

(3) Incorporated by reference to the Company's Registration Statement on Form S-3 (Registration No. 333-148406).

(4) Incorporated by reference to the Company's Annual Report on Form 10-K for the year ended December 31, 2007.

(5) Incorporated by reference to the Company's Form 8-K filed December 7, 2009.

(6) Incorporated by reference to the Company's Form 8-K filed December 21, 2009.

(7) Incorporated by reference to the Company's Form 8-K filed December 9, 2010.

(8) Incorporated by reference to the Company's Form 8-K filed January 21, 2011.

(9) Incorporated by reference to the Company's Form 8-K filed May 5, 2011.

(10) Incorporated by reference to the Company's Form 10-Q, filed November 8, 2011

* Filed herewith.

** As provided in Rule 406T of Regulation S-T, this information is furnished and not filed for purposes of Sections 11 and 12 of the Securities Act of 1933 and Section 18 of the Securities Exchange Act of 1934.

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

Date: March 9, 2012

LINCOLN EDUCATIONAL SERVICES CORPORATION

By: /s/ Cesar Ribeiro
Cesar Ribeiro
Executive Vice President, Chief Financial Officer and Treasurer
(Principal Accounting and Financial Officer)

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the registrant and in the capacities and on the dates indicated.

Signature	Title	Date
/s/ Shaun McAlmont Shaun McAlmont	President and Chief Executive Officer	March 9, 2012
/s/ Cesar Ribeiro Cesar Ribeiro	Executive Vice President, Chief Financial Officer and Treasurer (Principal Accounting and Financial Officer)	March 9, 2012
/s/ Alvin O. Austin Alvin O. Austin	Director	March 9, 2012
/s/ Peter S. Burgess Peter S. Burgess	Director	March 9, 2012
/s/ James J. Burke, Jr. James J. Burke, Jr.	Director	March 9, 2012
/s/ Celia H. Currin Celia H. Currin	Director	March 9, 2012
/s/ Paul E. Glaske Paul E. Glaske	Director	March 9, 2012
/s/ Charles F. Kalmbach Charles F. Kalmbach	Director	March 9, 2012
/s/ Alexis P. Michas Alexis P. Michas	Director	March 9, 2012
/s/ J. Barry Morrow J. Barry Morrow	Director	March 9, 2012

Exhibit 21.1

Subsidiaries of the Company

The following is a list of Lincoln Educational Services Corporation's subsidiaries as of December 31, 2011:

Name	Jurisdiction
Lincoln Technical Institute, Inc. (wholly owned)	New Jersey
New England Acquisition, LLC (wholly owned through Lincoln Technical Institute, Inc.)	Delaware
Southwestern Acquisition, LLC (wholly owned through Lincoln Technical Institute, Inc.)	Delaware
Nashville Acquisition, LLC (wholly owned through Lincoln Technical Institute, Inc.)	Delaware
Euphoria Acquisition, LLC (wholly owned through Lincoln Technical Institute, Inc.)	Delaware
New England Institute of Technology at Palm Beach, Inc. (wholly owned through Lincoln Technical Institute, Inc.)	Florida
LTI Holdings, LLC (wholly owned through Lincoln Technical Institute, Inc.)	Colorado
LCT Acquisition, LLC (wholly owned through Lincoln Technical Institute, Inc.)	Delaware
ComTech Services Group Inc. (wholly owned through Lincoln Technical Institute, Inc.)	New Jersey

Exhibit 23

Consent of Independent Registered Public Accounting Firm

We consent to the incorporation by reference in Registration Statement No. 333-126066, 333-132749, 333-138715, 333-158923, and 333-173880 on Form S-8 and in Registration Statement No. 333-148406 and 333-152854 on Form S-3 of our reports dated March 9, 2012, relating to the consolidated financial statements and financial statement schedule of Lincoln Educational Services Corporation and subsidiaries, and the effectiveness of internal control over financial reporting appearing in this Annual Report on Form 10-K of Lincoln Educational Services Corporation for the year ended December 31, 2011.

/s/ DELOITTE & TOUCHE LLP

Parsippany, New Jersey
March 9, 2012

EXHIBIT 31.1

CERTIFICATION

I, Shaun McAlmont, certify that:

1. I have reviewed this Annual Report on Form 10-K of Lincoln Educational Services Corporation;

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

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

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

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

   (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

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

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

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

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

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

Date: March 9, 2012

/s/ Shaun McAlmont
Shaun McAlmont
President and Chief Executive Officer

EXHIBIT 31.2

CERTIFICATION

I, Cesar Ribeiro, certify that:

1. I have reviewed this Annual Report on Form 10-K of Lincoln Educational Services Corporation;

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

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

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

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

   (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

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

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

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

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

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

Date: March 9, 2012

/s/ Cesar Ribeiro
Cesar Ribeiro
Chief Financial Officer

EXHIBIT 32

CERTIFICATION

Pursuant to 18 U.S.C. 1350 as adopted by
Section 906 of the Sarbanes-Oxley Act of 2002

Each of the undersigned, Shaun McAlmont, President and Chief Executive Officer of Lincoln Educational Services Corporation (the "Company"), and Cesar Ribeiro, Chief Financial Officer of the Company, has executed this certification in connection with the filing with the Securities and Exchange Commission of the Company's Annual Report on Form 10-K for the fiscal year ended December 31 2011 (the "Report").

Each of the undersigned hereby certifies that, to his respective knowledge:

1. The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

2. The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: March 9, 2012

/s/ Shaun McAlmont
Shaun McAlmont
President and Chief Executive Officer

/s/ Cesar Ribeiro
Cesar Ribeiro
Chief Financial Officer

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REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Board of Directors and Stockholders of
Lincoln Educational Services Corporation
West Orange, New Jersey

We have audited the accompanying consolidated balance sheets of Lincoln Educational Services Corporation and subsidiaries (the "Company") as of December 31, 2011 and 2010, and the related consolidated statements of income, comprehensive income, changes in stockholders' equity, and cash flows for each of the three years in the period ended December 31, 2011. Our audits also included the financial statement schedule listed in the Index at Item 15. These financial statements and financial statement schedule are the responsibility of the Company's management. Our responsibility is to express an opinion on the financial statements and financial statement schedule 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. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, such consolidated financial statements present fairly, in all material respects, the financial position of Lincoln Educational Services Corporation and subsidiaries as of December 31, 2011 and 2010, and the results of their operations and their cash flows for each of the three years in the period ended December 31, 2011, in conformity with accounting principles generally accepted in the United States of America. Also, in our opinion, such financial statement schedule, when considered in relation to the basic consolidated financial statements taken as a whole, presents fairly, in all material respects, the information set forth therein.

We have also audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the Company's internal control over financial reporting as of December 31, 2011, based on criteria established in Internal Control—Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission and our report dated March 9, 2012 expressed an unqualified opinion on the Company's internal control over financial reporting.

/s/ DELOITTE & TOUCHE LLP

Parsippany, New Jersey
March 9, 2012

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Board of Directors and Stockholders of
Lincoln Educational Services Corporation
West Orange, New Jersey

We have audited the internal control over financial reporting of Lincoln Educational Services Corporation and subsidiaries (the "Company") as of December 31, 2011, based on criteria established in Internal Control — Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission. The Company's management is responsible for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting, included in the accompanying Management's Report on Internal Control over Financial Reporting. Our responsibility is to express an opinion on the Company's internal control over financial reporting based on our audit.

We conducted our audit 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 effective internal control over financial reporting was maintained in all material respects. Our audit included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, testing and evaluating the design and operating effectiveness of internal control based on the assessed risk, and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion.

A company's internal control over financial reporting is a process designed by, or under the supervision of, the company's principal executive and principal financial officers, or persons performing similar functions, and effected by the company's board of directors, management, and other personnel to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of the inherent limitations of internal control over financial reporting, including the possibility of collusion or improper management override of controls, material misstatements due to error or fraud may not be prevented or detected on a timely basis. Also, projections of any evaluation of the effectiveness of the internal control over financial reporting to future periods are subject to the risk that the controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

In our opinion, the Company maintained, in all material respects, effective internal control over financial reporting as of December 31, 2011, based on the criteria established in Internal Control — Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission.

We have also audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the Company's consolidated balance sheet as of December 31, 2011 and the related consolidated statements of income, comprehensive income, changes in stockholders' equity, cash flows and financial statement schedule for the year ended December 31, 2011, and our report dated March 9, 2012 expressed an unqualified opinion on those financial statements and financial statement schedule.

/s/ DELOITTE & TOUCHE LLP

Parsippany, New Jersey
March 9, 2012

LINCOLN EDUCATIONAL SERVICES CORPORATION AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS

(In thousands, except share amounts)

	December 31, 2011	December 31, 2010
ASSETS		
CURRENT ASSETS:		
Cash and cash equivalents	$ 26,524	$ 65,995
Restricted cash	-	694
Accounts receivable, less allowance of $20,194 and $24,960 at December 31, 2011 and 2010, respectively	19,696	33,697
Inventories	3,051	3,555
Prepaid income taxes	11,743	-
Deferred income taxes, net	8,725	11,057
Prepaid expenses and other current assets	2,919	2,494
Total current assets	72,658	117,492
PROPERTY, EQUIPMENT AND FACILITIES - At cost, net of accumulated depreciation and amortization of $122,274 and $111,164 at December 31, 2011 and 2010, respectively	180,014	172,431
OTHER ASSETS:		
Noncurrent receivables, less allowance of $1,664 and $2,033 at December 31, 2011 and 2010, respectively	5,572	6,807
Deferred income taxes, net	1,877	1,524
Goodwill	97,371	106,709
Other assets, net	4,759	7,859
Total other assets	109,579	122,899
TOTAL	$ 362,251	$ 412,822

See notes to consolidated financial statements.

LINCOLN EDUCATIONAL SERVICES CORPORATION AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS

(In thousands, except share amounts)

(Continued)

	December 31, 2011	December 31, 2010
LIABILITIES AND STOCKHOLDERS' EQUITY		
CURRENT LIABILITIES:		
Current portion of long-term debt and lease obligations	$ 481	$ 437
Unearned tuition	43,242	50,944
Accounts payable	15,468	25,617
Accrued expenses	11,296	26,071
Dividends payable	-	16,650
Income taxes payable	-	1,044
Other short-term liabilities	631	905
Total current liabilities	71,118	121,668
NONCURRENT LIABILITIES:		
Long-term debt and lease obligations, net of current portion	36,027	56,508
Pension plan liabilities, net	6,594	2,816
Accrued rent	8,365	7,758
Other long-term liabilities	1,122	1,587
Total liabilities	123,226	190,337
COMMITMENTS AND CONTINGENCIES		
STOCKHOLDERS' EQUITY:		
Preferred stock, no par value - 10,000,000 shares authorized, no shares issued and outstanding at December 31, 2011 and 2010	-	-
Common stock, no par value - authorized 100,000,000 shares at December 31, 2011 and 2010, issued and outstanding 28,548,274 shares at December 31, 2011 and 28,109,987 shares at December 31, 2010	141,377	140,726
Additional paid-in capital	19,535	17,378
Treasury stock at cost - 5,910,541 shares at December 31, 2011 and 2010	(82,860)	(82,860)
Retained earnings	167,689	151,989
Accumulated other comprehensive loss	(6,716)	(4,748)
Total stockholders' equity	239,025	222,485
TOTAL	$ 362,251	$ 412,822

See notes to consolidated financial statements.

LINCOLN EDUCATIONAL SERVICES CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF INCOME

(In thousands, except per share amounts)

	Year Ended December 31,		
	2011	**2010**	**2009**
REVENUE	$ 512,625	$ 639,494	$ 552,536
COSTS AND EXPENSES:			
Educational services and facilities	222,959	239,738	211,295
Selling, general and administrative	244,398	270,879	252,393
Loss (gain) on sale of assets	5	(8)	35
Impairment of goodwill and long-lived assets	10,377	6,244	495
Total costs & expenses	477,739	516,853	464,218
OPERATING INCOME	34,886	122,641	88,318
OTHER:			
Interest income	50	30	29
Interest expense	(4,369)	(4,533)	(4,275)
Other income	18	45	35
INCOME BEFORE INCOME TAXES	30,585	118,183	84,107
PROVISION FOR INCOME TAXES	13,045	48,452	34,868
NET INCOME	$ 17,540	$ 69,731	$ 49,239
Basic			
Net income per share	$ 0.80	$ 2.86	$ 1.87
Diluted			
Net income per share	$ 0.79	$ 2.79	$ 1.82
Weighted average number of common shares outstanding:			
Basic	22,020	24,418	26,337
Diluted	22,155	25,024	27,095

See notes to consolidated financial statements

LINCOLN EDUCATIONAL SERVICES CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

(In thousands)

	December 31,		
	2011	**2010**	**2009**
Net income	$ 17,540	$ 69,731	$ 49,239
Other comprehensive (loss) income			
Employee pension plan adjustments, net of taxes	(1,968)	153	882
Comprehensive income	$ 15,572	$ 69,884	$ 50,121

See notes to consolidated financial statements

LINCOLN EDUCATIONAL SERVICES CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY

(In thousands, except share amounts)

	Common Stock Shares	Common Stock Amount	Additional Paid-in Capital	Deferred Compensation	Treasury Stock	Retained Earnings	Accumulated Other Comprehensive Loss	Total
BALANCE - January 1, 2009	26,088,261	120,597	15,119	(3,619)	(6,584)	55,219	(5,783)	174,949
	-	-	-	-	-	49,239	-	49,239
Employee pension plan adjustments, net of taxes	-	-	-	-	-	-	882	882
Stock-based compensation expense								
Restricted stock	144,288	-	410	798	-	-	-	1,208
Stock options	-	-	1,169	-	-	-	-	1,169
Purchase of treasury stock	-	-	-	-	(26,187)	-	-	(26,187)
Sale of common stock,								
net of expenses	1,150,000	14,932	-	-	-	-	-	14,932
Tax benefit of options exercised	-	-	578	-	-	-	-	578
Net share settlement for								
equity-based compensation	(16,206)	-	(294)	-	-	-	-	(294)
Other	-	-	(2,821)	2,821	-	-	-	-
Exercise of stock options	356,128	2,160	-	-	-	-	-	2,160
BALANCE - December 31, 2009	27,722,471	137,689	14,161	-	(32,771)	104,458	(4,901)	218,636
Net income	-	-	-	-	-	69,731	-	69,731
Employee pension plan adjustments, net of taxes	-	-	-	-	-	-	153	153
Stock-based compensation expense								
Restricted stock	17,624	-	2,036	-	-	-	-	2,036
Stock options	-	-	629	-	-	-	-	629
Purchase of treasury stock	-	-	-	-	(50,089)	-	-	(50,089)
Tax benefit of options exercised	-	-	1,484	-	-	-	-	1,484
Net share settlement for								
equity-based compensation	(52,214)	(112)	(932)	-	-	-	-	(1,044)
Cash dividend of $1.00 per								
common share	-	-	-	-	-	(22,200)	-	(22,200)
Exercise of stock options	422,106	3,149	-	-	-	-	-	3,149
BALANCE - December 31, 2010	28,109,987	140,726	17,378	-	(82,860)	151,989	(4,748)	222,485
Net income	-	-	-	-	-	17,540	-	17,540
Employee pension plan adjustments, net of taxes	-	-	-	-	-	-	(1,968)	(1,968)
Stock-based compensation expense								
Restricted stock	393,431	-	3,141	-	-	-	-	3,141
Stock options	-	-	400	-	-	-	-	400
Tax benefit of option exercised	-	-	158	-	-	-	-	158
Tax deficiency of stock-based								
awards and canceled	-	-	(740)	-	-	-	-	(740)
Net share settlement for								
equity-based compensation	(68,250)	(60)	(802)	-	-	-	-	(862)
Cash dividend of $0.07 per								
common share	-	-	-	-	-	(1,583)	-	(1,583)
Cash dividend declared true-up	-	-	-	-	-	(257)	-	(257)
Exercise of stock options	113,106	711	-	-	-	-	-	711
BALANCE - December 31, 2011	28,548,274	$ 141,377	$ 19,535	$ -	$ (82,860)	$ 167,689	$ (6,716)	$ 239,025

See notes to consolidated financial statements.

LINCOLN EDUCATIONAL SERVICES CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
(In thousands)

	Year Ended December 31,		
	2011	**2010**	**2009**
CASH FLOWS FROM OPERATING ACTIVITIES:			
Net income	$ 17,540	$ 69,731	$ 49,239
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation and amortization	28,464	26,218	24,240
Deferred income taxes	3,200	2,431	(2,677)
Loss (gain) on disposition of assets	5	(8)	35
Impairment of goodwill and long-lived assets	10,377	6,244	495
Provision for doubtful accounts	30,553	39,106	36,982
Stock-based compensation expense	3,541	2,665	2,377
Tax benefit associated with exercise of share based payments	(158)	(1,484)	(578)
Deferred rent	768	1,566	334
(Increase) decrease in assets, net of acquisitions:			
Accounts receivable	(15,317)	(36,732)	(51,073)
Inventories	504	(226)	188
Prepaid income taxes	(13,268)	(2,830)	2,673
Prepaid expenses and current assets	(1,670)	4,511	(1,477)
Other assets	696	(439)	96
Increase (decrease) in liabilities, net of acquisitions:			
Accounts payable	(5,510)	2,338	358
Accrued expenses	(14,936)	(984)	7,509
Pension plan liabilities	(276)	(822)	(692)
Unearned tuition	(7,702)	2,857	3,194
Other liabilities	27	322	1,946
Total adjustments	19,298	44,733	23,930
Net cash provided by operating activities	36,838	114,464	73,169
CASH FLOWS FROM INVESTING ACTIVITIES:			
Restricted cash	694	164	(113)
Capital expenditures	(38,119)	(42,352)	(24,018)
Proceeds from sale of property and equipment	36	77	90
Acquisitions, net of cash acquired, including restricted cash	-	-	(27,552)
Net cash used in investing activities	(37,389)	(42,111)	(51,593)
CASH FLOWS FROM FINANCING ACTIVITIES:			
Proceeds from borrowings	-	20,000	64,000
Payments on borrowings	(20,000)	(20,000)	(44,000)
Payment of deferred finance fees	-	-	(962)
Proceeds from exercise of stock options	711	3,149	2,160
Tax benefit associated with exercise of share based payments	158	1,484	578
Net share settlement for equity-based compensation	(862)	(1,044)	(294)
Dividends paid	(18,490)	(5,550)	-
Principal payments under capital lease obligations	(437)	(384)	(961)
Purchase of treasury stock	-	(50,089)	(26,187)
Proceeds from issuance of common stock, net of issuance costs	-	-	14,932
Net cash (used in) provided by financing activities	(38,920)	(52,434)	9,266
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS	(39,471)	19,919	30,842
CASH AND CASH EQUIVALENTS—Beginning of year	65,995	46,076	15,234
CASH AND CASH EQUIVALENTS—End of year	$ 26,524	$ 65,995	$ 46,076

See notes to consolidated financial statements.

LINCOLN EDUCATIONAL SERVICES CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS

(In thousands)

(Continued)

	Year Ended December 31,		
	2011	**2010**	**2009**
SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION:			
Cash paid during the year for:			
Interest	$ 4,003	$ 4,180	$ 4,007
Income taxes	$ 23,218	$ 49,331	$ 35,355
SUPPLEMENTAL SCHEDULE OF NONCASH INVESTING AND FINANCING ACTIVITIES:			
Capital leases acquired in acquisition	$ -	$ -	$ 26,828
Fixed assets acquired in capital lease transactions	$ -	$ -	$ 75
Liabilities accrued for the purchase of fixed assets	$ 1,166	$ 5,962	$ 2,005
Dividend payable	$ -	$ 16,650	$ -

See notes to consolidated financial statements.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Business Activities—Lincoln Educational Services Corporation and Subsidiaries (the "Company") is a provider of diversified career-oriented post-secondary education. The Company offers recent high school graduates and working adults degree and diploma programs in five principal areas of study: Health Science, Automotive Technology, Skilled Trades, Business and Information Technology and Hospitality Services. The Company currently has 46 schools in 17 states across the United States.

Principles of Consolidation—The accompanying consolidated financial statements include the accounts of Lincoln Educational Services Corporation and its wholly-owned subsidiaries. All intercompany accounts and transactions have been eliminated.

Revenue Recognition—Revenue is derived primarily from programs taught at the schools. Tuition revenue and one-time fees, such as nonrefundable application fees, registration fees, and course material fees are recognized on a straight-line basis over the length of the applicable program. If a student withdraws from a program prior to a specified date, any paid but unearned tuition is refunded. Other revenues, such as textbook sales, tool sales and contract training revenues are recognized as services are performed or goods are delivered. On an individual student basis, tuition earned in excess of cash received is recorded as accounts receivable, and cash received in excess of tuition earned is recorded as unearned tuition. Refunds are calculated and paid in accordance with federal, state and accrediting agency standards.

Cash and Cash Equivalents—Cash and cash equivalents include all cash balances and highly liquid short-term investments, which mature within three months of purchase.

Restricted Cash—Restricted cash represents amounts received from the federal and state governments under various student aid grant and loan programs. These funds are either received prior to the completion of the authorization and disbursement process for the benefit of the student or immediately prior to that authorization. Restricted funds are held in separate bank accounts. Once the authorization and disbursement process is completed and authorization obtained, the funds are transferred to unrestricted accounts, and these funds then become available for use in the Company’s current operations. The Company had no restricted cash as of December 31, 2011. As of December 31, 2010, the Company had restricted cash of $0.4 million, related to state grants and $0.3 million, related to the acquisition of Baran Institute of Technology (“BAR”).

Accounts Receivable—The Company reports accounts receivable at net realizable value, which is equal to the gross receivable less an estimated allowance for uncollectible accounts. Noncurrent accounts receivable represent amounts due from graduates in excess of 12 months from the balance sheet date.

Allowance for uncollectible accounts—Based upon experience and judgment, we establish an allowance for uncollectible accounts with respect to tuition receivables. In establishing our allowance for uncollectible accounts, we consider, among other things, current and expected economic conditions, a student's status (in-school or out-of-school), whether or not additional financial aid funding will be collected from Title IV Programs or other sources, whether or not a student is currently making payments, and overall collection history. Changes in trends in any of these areas may impact the allowance for uncollectible accounts. The receivables balances of withdrawn students with delinquent obligations are reserved for based on our collection history.

Inventories—Inventories consist mainly of textbooks, tools and supplies. Inventories are valued at the lower of cost or market on a first-in, first-out basis.

Property, Equipment and Facilities—Depreciation and Amortization—Property, equipment and facilities are stated at cost. Major renewals and improvements are capitalized, while repairs and maintenance are expensed when incurred. Upon the retirement, sale or other disposition of assets, costs and related accumulated depreciation are eliminated from the accounts and any gain or loss is reflected in operating income. For financial statement purposes, depreciation of property and equipment is computed using the straight-line method over the estimated useful lives of the assets, and amortization of leasehold improvements is computed over the lesser of the term of the lease or its estimated useful life.

Rent Expense—Rent expense related to operating leases where scheduled rent increases exist, is determined by expensing the total amount of rent due over the life of the operating lease on a straight-line basis. The difference between the rent paid under the terms of the lease and the rent expensed on a straight-line basis is included in accrued rent and other long-term liabilities on the accompanying consolidated balance sheets.

Advertising Costs—Costs related to advertising are expensed as incurred and approximated $43.4 million, $46.7 million and $40.9 million for the years ended December 31, 2011, 2010 and 2009, respectively. These amounts are included in selling, general and administrative expenses in the consolidated statements of income.

Goodwill and Other Intangible Assets— The Company tests its goodwill for impairment annually, or whenever events or changes in circumstances indicate an impairment may have occurred, by comparing its reporting unit's carrying value to its implied fair value. Impairment may result from, among other things, deterioration in the performance of the acquired business, adverse market conditions, adverse changes in applicable laws or regulations, reductions in market value of the Company, including changes that restrict the activities of the acquired business, and a variety of other circumstances. If the Company determines that an impairment has occurred, it is required to record a write-down of the carrying value and charge the impairment as an operating expense in the period the determination is made. In evaluating the recoverability of the carrying value of goodwill and other indefinite-lived intangible assets, the Company must make assumptions regarding estimated future cash flows and other factors to determine the fair value of the acquired assets. Changes in strategy or market conditions could significantly impact these judgments in the future and require an adjustment to the recorded balances.

The Company concluded that the decrease in the Company's market capitalization as of September 30, 2011 was a triggering event and, accordingly, the Company tested goodwill and indefinite-lived intangibles for impairment. The tests indicated that five of the Company's reporting units were impaired, which resulted in an expense of $9.4 million in the third quarter of 2011. At December 31, 2011, the Company tested goodwill for impairment and determined it did not have an impairment.

At December 31, 2010, the Company tested goodwill for impairment and determined that an impairment of approximately $6.2 million existed for three of its reporting units. At December 31, 2009, the Company tested goodwill for impairment and determined that an impairment of approximately $0.2 million existed for one of its reporting units. No other reporting unit's carrying goodwill amount exceeded or approximated its implied value.

Concentration of Credit Risk—Financial instruments that potentially subject the Company to concentrations of credit risk consist principally of temporary cash investments. The Company places its cash and cash equivalents with high credit quality financial institutions. The Company's cash balances with financial institutions typically exceed the Federal Deposit Insurance limit of $0.25 million. The Company's cash balances on deposit at December 31, 2011, exceeded the balance insured by the FDIC by approximately $25.0 million. The Company has not experienced any losses to date on its invested cash.

The Company extends credit for tuition and fees to many of its students. The credit risk with respect to these accounts receivable is mitigated through the students' participation in federally funded financial aid programs unless students withdraw prior to the receipt of federal funds for those students. In addition, the remaining tuition receivables are primarily comprised of smaller individual amounts due from students.

With respect to student receivables, the Company had no significant concentrations of credit risk as of December 31, 2011 and 2010.

Use of Estimates in the Preparation of Financial Statements—The preparation of financial statements in conformity with generally accepted accounting principles in the United States ("GAAP') requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenues and expenses during the period. On an ongoing basis, the Company evaluates the estimates and assumptions, including those related to revenue recognition, bad debts, fixed assets, income taxes, benefit plans and certain accruals. Actual results could differ from those estimates.

Stock-Based Compensation Plans—The Company measures the value of stock options on the grant date at fair value, using the Black-Scholes option valuation model. The Company amortizes the fair value of stock options, net of estimated forfeitures, utilizing straight-line amortization of compensation expense over the requisite service period of the grant.

The Company measures the value of service and performance-based restricted stock on the fair value of a share of common stock on the date of the grant. The Company amortizes the fair value of service based restricted stock utilizing straight-line amortization of compensation expense over the requisite service period of the grant.

The Company amortizes the fair value of the performance-based restricted stock based on determination of the probable outcome of the performance condition. If the performance condition is expected to be met, then the Company amortizes the fair value of the number of shares expected to vest utilizing straight-line basis over the requisite performance period of the grant. However, if the associated performance condition is not expected to be met, then the Company does not recognize the share compensation expense.

***Income Taxes*—**Deferred tax assets and liabilities are recognized for the estimated future tax consequences attributable to differences between financial statement carrying amounts of assets and liabilities and their respective tax bases. Deferred tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. The effect on deferred tax assets and liabilities of changes in tax rates is recognized in income in the period that includes the enactment date.

The Company recognizes accrued interest and penalties related to unrecognized tax benefits in income tax expense. During the years ended December 31, 2011 and 2010, the interest and penalties expense associated with uncertain tax positions are not significant to our results of operations or financial position.

***Impairment of Long-Lived Assets*—**The Company reviews the carrying value of our long-lived assets and identifiable intangibles for possible impairment whenever events or changes in circumstances indicate that the carrying amounts may not be recoverable. The Company evaluates long-lived assets for impairment by examining estimated future cash flows. These cash flows are evaluated by using weighted probability techniques as well as comparisons of past performance against projections. Assets may also be evaluated by identifying independent market values. If the Company determines that an asset's carrying value is impaired, it will record a write-down of the carrying value of the asset and charge the impairment as an operating expense in the period in which the determination is made.

The Company recorded an impairment charge of $1.0 million in the third quarter of 2011 related to a regional accreditation indefinite intangible asset that is no longer being utilized.

During 2009 the Company changed the name of its Florida Culinary Institute to Lincoln Culinary Institute and wrote-off approximately $0.3 million associated with the previous trade name.

***Start-up Costs*—**Costs related to the start of new campuses are expensed as incurred.

***Reclassification*—**In 2011, the Company reclassified amounts reflected in the 2010 and 2009 consolidated balance sheets, consolidated statements of income and consolidated statements of cash flows to conform to 2011 classifications. As of December 31, 2010, deferred finance charges of $0.9 million were combined with other assets in the consolidated balance sheet. For the years ended December 31, 2010 and 2009, advances from federal funds of $0.1 million and $1.5 million, respectively were combined with other liabilities in the statements of cash flows. For the year ended December 31, 2009, impairment of long-lived assets of $0.3 million was reclassified from selling, general and administrative to impairment of goodwill and long-lived assets on the consolidated statements of income.

New Accounting Pronouncements

In June 2011, the Financial Accounting Standards Board ("FASB") issued an amendment to an existing accounting standard which requires companies to present net income and other comprehensive income in one continuous statement or in two separate, but consecutive, statements. In addition, in December 2011, the FASB issued an amendment to an existing accounting standard which defers the requirement to present components of reclassifications of other comprehensive income on the face of the income statement. The Company early adopted this amendment and has presented statements of comprehensive income. Comprehensive income is impacted by employee pension plan adjustments, net of taxes.

In September 2011, the FASB issued a revised standard on testing for goodwill impairment. The revised standard allows an entity to first assess qualitatively whether it is necessary to perform step one of the two-step annual goodwill impairment test. An entity is required to perform step one only if the entity concludes that it is more likely than not that a reporting unit's fair value is less than its carrying amount, a likelihood of more than 50 percent. An entity can choose to perform the qualitative assessment on none, some, or all of its reporting units. Moreover, an entity can bypass the qualitative assessment for any reporting unit in any period and proceed directly to step one of the impairment test, and then perform the qualitative assessment in any subsequent period. The revised standard is effective for the Company for annual and interim goodwill impairment tests performed beginning after January 1, 2012 for the Company. The Company does not believe this guidance will have any impact on its consolidated financial position, results of operations, or cash flows.

2. FINANCIAL AID AND REGULATORY COMPLIANCE

Financial Aid

The Company's schools and students participate in a variety of government-sponsored financial aid programs that assist students in paying the cost of their education. The largest source of such support is the federal programs of student financial assistance under Title IV of the Higher Education Act of 1965, as amended, commonly referred to as the Title IV Programs, which are administered by the U.S. Department of Education (the "DOE"). During the years ended December 31, 2011, 2010 and 2009, approximately 84%, 83% and 81%, respectively, of net revenues on a cash basis were indirectly derived from funds distributed under Title IV Programs.

For the years ended December 31, 2011 and 2009, the Company was in compliance with the standards established by the DOE requiring that no individual DOE reporting entity can receive more than 90% of its revenue, determined on a cash basis, from Title IV, HEA Program Funds. For the year ended December 31, 2010, the Company determined that one of its institutions received approximately 97% of its revenue, determined on a cash basis, from Title IV, HEA Program Funds. A proprietary institution that derives more than 90% of its total revenue from the Title IV programs for two consecutive fiscal years becomes immediately ineligible to participate in the Title IV programs and may not reapply for eligibility until the end of two fiscal years. An institution with revenues exceeding 90% for a single fiscal year ending after August 14, 2008 will be placed on provisional certification and may be subject to other enforcement measures. If one of the Company's institutions violated the 90/10 Rule and became ineligible to participate in Title IV Programs but continued to disburse Title IV Program funds, the DOE would require the institution to repay all Title IV Program funds received by the institution after the effective date of the loss of eligibility.

Regulatory Compliance

To participate in Title IV Programs, a school must be authorized to offer its programs of instruction by relevant state education agencies, be accredited by an accrediting commission recognized by the DOE and be certified as an eligible institution by the DOE. For this reason, the schools are subject to extensive regulatory requirements imposed by all of these entities. After the schools receive the required certifications by the appropriate entities, the schools must demonstrate their compliance with the DOE regulations of the Title IV Programs on an ongoing basis. Included in these regulations is the requirement that the Company must satisfy specific standards of financial responsibility. The DOE evaluates institutions for compliance with these standards each year, based upon the institution's annual audited financial statements, as well as following a change in ownership of the institution. Under regulations which took effect July 1, 1998, the DOE 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. This composite score can range from -1 to +3.

The DOE has evaluated the financial responsibility of the Company's institutions on a consolidated basis. The Company has submitted to the DOE its audited financial statements for the 2010 and 2009 fiscal years reflecting a composite score of 1.8 and 2.0, respectively, based upon its calculations, and that its schools meet the DOE standards of financial responsibility. For the 2011 fiscal year, the Company has calculated its composite score to be 2.1. However, this is subject to determination by the DOE once it receives and reviews the Company's audited financial statements for the 2011 fiscal year.

3. WEIGHTED AVERAGE COMMON SHARES

The weighted average numbers of common shares used to compute basic and diluted income per share for the years ended December 31, 2011, 2010 and 2009, respectively were as follows:

	Year Ended December 31,		
	2011	**2010**	**2009**
Basic shares outstanding	22,019,563	24,418,460	26,337,172
Dilutive effect of stock options	135,437	605,713	757,926
Diluted shares outstanding	22,155,000	25,024,173	27,095,098

For the years ended December 31, 2011, 2010 and 2009, options to acquire 399,583, 201,500, and 186,500 shares, respectively, were excluded from the above table because they have an exercise price that is greater than the average market price of the Company's common stock and therefore their impact on reported earnings per share would have been antidilutive.

In 2011, the Company issued certain members of management performance shares that vest when certain performance conditions are met. These performance conditions have not been met in 2011 with respect to the Company's performance shares. As a result, the Company has determined these shares to be contingently issuable. Accordingly, 134,131 shares of outstanding performance shares have been excluded from the computation of diluted earnings per share for the year ended December 31, 2011. Refer to Note 9 for more information on performance shares.

4. BUSINESS ACQUISITIONS

On January 20, 2009, the Company completed the acquisition of six of the seven schools comprising BAR for approximately $24.9 million in cash, net of cash acquired. BAR consisted of seven schools and offers associate's degree and diploma programs in the fields of automotive, skilled trades, health sciences and culinary arts. On April 20, 2009, the Company acquired the seventh BAR school, Clemens College ("Clemens"), for $2.7 million, in cash, net of cash acquired. In connection with these acquisitions, the Company incurred approximately $1.4 million of transaction expenses for the year ended December 31, 2009.

The consolidated financial statements include the results of operations from the respective acquisition dates. The purchase price allocations for BAR were finalized in 2010.

The following table summarizes the reported fair value of assets acquired and liabilities assumed related to acquisitions:

	BAR January 20, 2009 and Clemens April 20, 2009
Restricted cash	$ 362
Current assets, excluding cash acquired (1)	8,063
Property, equipment and facilities	36,739
Goodwill	20,462
Identified intangibles:	
Student contracts	2,162
Trade name	509
Accreditation	1,040
Curriculum	410
Non-compete	1,980
Other long-term assets	731
Current liabilities assumed	(16,688)
Long-term liabilities assumed	(28,218)
Cost of acquisition, net of cash acquired	$ 27,552

(1) Current assets, excluding cash acquired for BAR includes reported amounts due from the seller in accordance with the stock purchase agreement.

5. GOODWILL AND OTHER INTANGIBLES

Changes in the carrying amount of goodwill during the years ended December 31, 2011 and 2010 are as follows:

Balance as of January 1, 2010:	
Goodwill	$ 115,303
Accumulated impairment losses	(2,350)
	112,953
Goodwill impairment	(6,244)
Balance as of December 31, 2010:	
Goodwill	115,303
Accumulated impairment losses	(8,594)
	106,709
Goodwill impairment	(9,338)
Balance as of December 31, 2011:	
Goodwill	115,303
Accumulated impairment losses	(17,932)
	$ 97,371

Intangible assets, which are included in other assets in the accompanying consolidated balance sheets, consisted of the following:

	Student Contracts	Indefinite Trade Name	Trade Name	Accreditation	Curriculum	Non-compete	Total
Gross carrying amount at December 31, 2010	$ 4,827	$ 660	$ 839	$ 2,307	$ 1,150	$ 2,181	$ 11,964
Reclassification (1)	-	(480)	480	-	-	-	-
Write-off (2)	(4,827)	-	(810)	-	-	(201)	(5,838)
Impairment (3)	-	-	-	(1,039)	-	-	(1,039)
Gross carrying amount at December 31, 2011	-	180	509	1,268	1,150	1,980	5,087
Accumulated amortization at December 31, 2010	4,824	-	503	-	505	1,478	7,310
Amortization	3	-	569	-	115	675	1,362
Write-off (2)	(4,827)	-	(810)	-	-	(201)	(5,838)
Accumulated amortization at December 31, 2011	-	-	262	-	620	1,952	2,834
Net carrying amount at December 31, 2011	$ -	$ 180	$ 247	$ 1,268	$ 530	$ 28	$ 2,253
Weighted average amortization period (years)		Indefinite	6	Indefinite	10	3	

	Student Contracts	Indefinite Trade Name	Trade Name	Accreditation	Curriculum	Non-compete	Total
Gross carrying amount at December 31, 2009	$ 4,827	$ 990	$ 509	$ 2,307	$ 1,150	$ 2,181	$ 11,964
Reclassification (4)	-	(330)	330	-	-	-	-
Gross carrying amount at December 31, 2010	4,827	660	839	2,307	1,150	2,181	11,964
Accumulated amortization at December 31, 2009	3,834	-	84	-	390	778	5,086
Amortization	990	-	419	-	115	700	2,224
Accumulated amortization at December 31, 2010	4,824	-	503	-	505	1,478	7,310
Net carrying amount at December 31, 2010	$ 3	$ 660	$ 336	$ 2,307	$ 645	$ 703	$ 4,654
Weighted average amortization period (years)	2	Indefinite	6	Indefinite	10	3	

(1) Reclassification due to the Company's plan to rebrand one of its institutions.
(2) The Company wrote-off the value of fully amortized assets not in service.
(3) The impairment relates to regional accreditation indefinite intangible asset that is no longer being utilized.
(4) Reclassification due to the Company's plan to rebrand a group of schools.

Amortization of intangible assets for the years ended December 31, 2011, 2010 and 2009 was approximately $1.4 million, $2.2 million and $2.5 million, respectively.

The following table summarizes the estimated future amortization expense:

Year Ending December 31,	
2012	$ 232
2013	181
2014	160
2015	91
2016	47
Thereafter	94
	$ 805

6. PROPERTY, EQUIPMENT AND FACILITIES

Property, equipment and facilities consist of the following:

	Useful life (years)	At December 31, 2011	At December 31, 2010
Land	-	$ 18,363	$ 18,363
Buildings and improvements	1-25	206,499	182,795
Equipment, furniture and fixtures	1-12	75,112	73,958
Vehicles	3	1,155	1,282
Construction in progress	-	1,159	7,197
		302,288	283,595
Less accumulated depreciation and amortization		(122,274)	(111,164)
		$ 180,014	$ 172,431

Included above in buildings and improvements are buildings acquired under capital leases as of December 31, 2011 and 2010 of $26.8 million, each net of accumulated depreciation of $5.2 million and $3.4 million, respectively.

Included above in equipment, furniture and fixtures are assets acquired under capital leases as of December 31, 2011 and 2010 of $0.7 million and $1.2 million, respectively, net of accumulated depreciation of $0.6 million and $0.9 million, respectively.

Included above in buildings and improvements is capitalized interest as of December 31, 2011 and 2010 of $0.6 million, respectively, net of accumulated depreciation of $0.3 million, respectively.

Depreciation and amortization expense of property, equipment and facilities was $26.3 million, $23.4 million and $21.1 million for the years ended December 31, 2011, 2010 and 2009, respectively.

7. ACCRUED EXPENSES

Accrued expenses consist of the following:

	At December 31, 2011	At December 31, 2010
Accrued compensation and benefits	$ 4,701	$ 18,659
Other accrued expenses	6,595	7,412
	$ 11,296	$ 26,071

Scheduled maturities of long-term debt and lease obligations at December 31, 2011 are as follows:

Year ending December 31,	
2012	$ 481
2013	412
2014	435
2015	471
2016	572
Thereafter	34,137
	$ 36,508

9. STOCKHOLDERS' EQUITY

The Company has two stock incentive plans: a Long-Term Incentive Plan (the "LTIP") and a Non-Employee Directors Restricted Stock Plan (the "Non-Employee Directors Plan").

Under the LTIP, certain employees received awards of restricted shares of common stock based on service and performance. The number of shares granted to each employee is based on the fair market value of a share of common stock on the date of grant.

All service restricted shares granted prior to February 23, 2011 vest ratably on the first through fifth anniversaries of the date of grant. However, service restricted shares granted on or after February 23, 2011 vest ratably on the grant date and the first through fourth anniversaries of the grant date.

On April 29, 2011, performance-based shares were granted which vest over four years based upon the attainment of (i) a specified operating income margin during any one or more of the fiscal years in the period beginning January 1, 2011 and ending December 31, 2014 and (ii) the attainment of earnings before interest, taxes, depreciation and amortization targets during each of the fiscal years ended December 31, 2011, 2012, 2013 and 2014. There is no vesting period on the right to vote or the right to receive dividends on any of the restricted shares.

As of December 31, 2011, there were a total of 785,691 restricted shares awarded and 503,088 shares vested under the LTIP. During 2011, there were 364,691 restricted shares granted and 127,908 shares that vested with a weighted average grant price of $15.63 and $14.03, respectively. The recognized restricted stock expense for the years ended December 31, 2011, 2010 and 2009 was $2.5 million, $1.4 million and $0.9 million, respectively. The deferred compensation or unrecognized restricted stock expense under the LTIP as of December 31, 2011, 2010 and 2009 was $6.6 million, $4.8 million and $4.8 million, respectively. As of December 31, 2011, outstanding restricted shares under the LTIP had aggregate intrinsic value of $3.7 million.

Pursuant to the Non-Employee Directors Plan, each non-employee director of the Company receives annual award of restricted shares of common stock on the date of the Company's annual meeting of shareholders. The number of shares granted to each non-employee director is based on the fair market value of a share of common stock on that date. The restricted shares vest ratably over the first through third anniversary of the grant date; however, there is no vesting period on the right to vote or the right to receive dividends on these restricted shares. Beginning in 2010, all new awards of restricted shares of common stock granted under the Non-Employee Directors Plan vest fully on the first anniversary of the grant date.

As of December 31, 2011, there were a total of 155,641 shares awarded less 5,035 shares cancelled and 116,238 shares vested under the Non-Employee Directors Plan. During 2011, there were 28,740 restricted shares granted and 31,284 shares that vested with a weighted average grant price of $16.70 and $20.24, respectively. The recognized restricted stock expense for the years ended December 31, 2011, 2010 and 2009 was $0.6 million, $0.6 million and $0.3 million, respectively. The deferred compensation or unrecognized restricted stock expense under the Non-Employee Directors Plan as of December 31, 2011, 2010 and 2009 was $0.2 million, $0.3 million and $0.4 million, respectively. As of December 31, 2011, outstanding restricted shares under the Non-Employee Directors Plan had aggregate intrinsic value of $0.3 million.

In 2011 and 2010, the Company completed a net share settlement of 68,250 and 52,214 restricted shares and stock options exercised, respectively, on behalf of certain employees that participate in the LTIP upon the vesting of the restricted shares pursuant to the terms of the LTIP or exercise of the stock options. The net share settlement was in connection with income taxes incurred on the restricted shares or stock option exercises that vested and were transferred to the employee during 2011 and/or 2010, creating a taxable income to the employee. The Company has

equivalent value of restricted shares or stock options to the Company. This transaction resulted in a decrease of approximately $0.9 million and $1.0 million in 2011 and 2010, respectively, to equity on the consolidated balance sheets as the cash payment of the taxes effectively was a repurchase of the restricted shares or stock options granted in previous years.

On June 9, 2010, the Company's Board of Directors approved the repurchase of up to $50.0 million of its common stock over the period of one year. As of December 31, 2010, the Company had repurchased 4,040,234 shares of its common stock for approximately $50.0 million at an average price of $12.38 per share. In addition, during 2010, the Company's Board of Directors approved the repurchase of 5,307 shares of its common stock, which was repurchased at an average price of $16.77 per share.

On February 18, 2009, the Company issued 1.15 million shares of common stock in a public offering and received net proceeds of approximately $14.9 million, after deducting underwriting commissions and offering costs of approximately $0.3 million. In addition, in connection with the same public offering, the Company also expensed $1.2 million of costs associated with the sale of stock by certain selling shareholders.

On December 15, 2009, the Company entered into a definitive stock repurchase agreement (the "Repurchase Agreement") with Back to School Acquisition, L.L.C., ("BTS") relating to the Company's repurchase of 1,250,000 shares of the Company's common stock (the "Repurchase Shares") owned by BTS at a purchase price of $20.95 per share or an aggregate purchase price of $26,187,500 (the "Share Repurchase"). In accordance with the terms of the Repurchase Agreement, consummation of the Share Repurchase was conditioned upon the completion of the sale by BTS of an additional 750,000 shares of the Company's common stock in a block trade pursuant to Rule 144 under the Securities Act of 1933, as amended (the "Block Trade"). The completion of the Block Trade and the concurrent closing of the Share Repurchase occurred on December 21, 2009. The Company used cash on hand to pay the purchase price for the Repurchase Shares.

The fair value of the stock options used to compute stock-based compensation is the estimated present value at the date of grant using the Black-Scholes option pricing model. During 2011 there were no new stock option grants. The weighted average fair values of options granted during 2010 and 2009 were $8.48 and $8.75 respectively, using the following weighted average assumptions for grants:

	At December 31,	
	2010	**2009**
Expected volatility	45.00%	51.95%
Expected dividend yield	0%	0%
Expected life (term)	4.82 Years	4.8-6 Years
Risk-free interest rate	1.95%	2.29-2.36%
Weighted-average exercise price during the year	$20.78	$18.48

The expected volatility considers the volatility of the Company common stock that has been traded for a period commensurate with the expected life. The expected term of options granted represents the period of time that options granted are expected to be outstanding. The risk-free rate used is based on the published U.S. Treasury yield curve in effect at the time of grant for instruments with a similar life. The 2010 dividend yield is 0% because at the time the options were granted the Company had not intended to declare or pay dividends on its common stock.

The following is a summary of transactions pertaining to the option plans:

	Shares	Weighted Average Exercise Price Per Share	Weighted Average Remaining Contractual Term	Aggregate Intrinsic Value
Outstanding December 31, 2008	1,474,215	9.98	5.25 years	$ 6,808
Granted	101,000	18.48		
Cancelled	(35,166)	14.81		
Exercised	(356,128)	6.07		4,760
Outstanding December 31, 2009	1,183,921	11.74	4.95 years	11,934
Granted	68,000	20.78		
Cancelled	(108,875)	15.15		
Exercised	(422,106)	7.46		5,668
Outstanding December 31, 2010	720,940	14.59	5.14 years	2,095
Granted	-	-		
Cancelled	(74,459)	12.80		
Exercised	(113,106)	6.29		759
Outstanding December 31, 2011	533,375	16.60	4.68 years	-
Vested or expected to vest as of December 31, 2011	524,176	16.54	4.61 years	-
Exercisable as of December 31, 2011	487,382	16.26	4.34 years	$ -

As of December 31, 2011, unrecognized pre-tax compensation expense for all unvested stock option awards is approximately $0.3 million which will be expensed over the weighted-average period of approximately 2.2 years.

The following table presents a summary of options outstanding at December 31, 2011:

	At December 31, 2011				
	Stock Options Outstanding			Stock Options Exercisable	
Range of Exercise Prices	Shares	Contractual Weighted Average life (years)	Weighted Average Price	Shares	Weighted Exercise Price
$4.00-$13.99	133,792	5.55	$ 11.96	133,792	$ 11.96
$14.00-$19.99	277,083	4.20	16.42	259,755	16.24
$20.00-$25.00	122,500	4.81	22.07	93,835	22.44
	533,375	4.68	16.60	487,382	16.26

During 2009, the Company transferred the $2.8 million balance in deferred compensation to additional paid-in-capital. The Company concluded that this transfer should have been made concurrently with its previous change in accounting for stock based compensation. The Company determined the effect of this error on its prior financial statements is immaterial.

10. PENSION PLAN

The Company sponsors a noncontributory defined benefit pension plan covering substantially all of the Company's union employees. Benefits are provided based on employees' years of service and earnings. This plan was frozen on December 31, 1994 for non-union employees.

The following table sets forth the plan's funded status and amounts recognized in the consolidated financial statements:

	Year Ended December 31, 2011	2010
CHANGES IN BENEFIT OBLIGATIONS:		
Benefit obligation-beginning of year	$ 17,903	$ 16,326
Service cost	117	91
Interest cost	939	918
Actuarial loss	3,008	1,210
Benefits paid	(734)	(642)
Benefit obligation at end of year	21,233	17,903
CHANGE IN PLAN ASSETS:		
Fair value of plan assets-beginning of year	15,087	13,134
Actual return on plan assets	12	1,773
Employer contributions	274	822
Benefits paid	(734)	(642)
Fair value of plan assets-end of year	14,639	15,087
BENEFIT OBLIGATION IN EXCESS OF FAIR VALUE FUNDED STATUS:	$ (6,594)	$ (2,816)

Amounts recognized in the consolidated balance sheets consist of:

	At December 31, 2011	2010
Noncurrent liabilities	$ (6,594)	$ (2,816)

Amounts recognized in accumulated other comprehensive loss consist of:

	Year Ended December 31, 2011	2010
Accumulated loss	$ (11,191)	$ (7,903)
Deferred income taxes	4,475	3,155
Accumulated other comprehensive loss	$ (6,716)	$ (4,748)

The accumulated benefit obligation was $21.2 million and $17.8 million at December 31, 2011 and 2010, respectively.

The following table provides the components of net periodic cost for the plan:

	Year Ended December 31, 2011	2010
COMPONENTS OF NET PERIODIC BENEFIT COST		
Service cost	$ 117	$ 91
Interest cost	939	918
Expected return on plan assets	(1,034)	(1,041)
Recognized net actuarial loss	742	732
Net periodic benefit cost	$ 764	$ 700

The estimated net loss, transition obligation and prior service cost for the plan that will be amortized from accumulated other comprehensive income into net periodic benefit cost over the next year are $1.0 million.

The following table presents our plan assets using the fair value hierarchy as of December 31, 2011. The fair value hierarchy has three levels based on the reliability of inputs used to determine fair value. Level 1 refers to fair values determined based on quoted prices in active markets for identical assets. Level 2 refers to fair values estimated using significant other observable inputs, while

Level 3 includes the fair values estimated using significant non-observable inputs. The level in the fair value hierarchy within which the fair value measurement falls is determined based on the lowest level input that is significant to the fair value measurement in its entirety.

	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Total
Equity securities	$ 6,798	$ -	$ -	$ 6,798
Fixed income	5,289	-	-	5,289
International equities	2,538	-	-	2,538
Cash and equivalents	14	-	-	14
Balance at December 31, 2011	$ 14,639	$ -	$ -	$ 14,639

Fair value of total plan assets by major asset category as of December 31:

	2011	2010
Equity securities	47%	48%
Fixed income	36%	37%
International equities	17%	15%
Cash and equivalents	0%	0%
Total	100%	100%

Weighted-average assumptions used to determine benefit obligations as of December 31:

	2011	2010
Discount rate	4.10%	5.75%
Rate of compensation increase	4.00%	4.00%

Weighted-average assumptions used to determine net periodic pension cost for years ended December 31:

	2011	2010	2009
Discount rate	5.18%	5.18%	6.27%
Rate of compensation increase	4.00%	4.00%	4.00%
Long-term rate of return	7.00%	8.00%	8.00%

As this plan was frozen to non-union employees on December 31, 1994, the difference between the benefit obligation and accumulated benefit obligation is not significant in any year.

The Company invests plan assets based on a total return on investment approach, pursuant to which the plan assets include a diversified blend of equity and fixed income investments toward a goal of maximizing the long-term rate of return without assuming an unreasonable level of investment risk. The Company determines the level of risk based on an analysis of plan liabilities, the extent to which the value of the plan assets satisfies the plan liabilities and the plan's financial condition. The investment policy includes target allocations ranging from 30% to 70% for equity investments, 20% to 60% for fixed income investments and 0% to 10% for cash equivalents. The equity portion of the plan assets represents growth and value stocks of small, medium and large companies. The Company measures and monitors the investment risk of the plan assets both on a quarterly basis and annually when the Company assesses plan liabilities.

The Company uses a building block approach to estimate the long-term rate of return on plan assets. This approach is based on the capital markets assumption that the greater the volatility, the greater the return over the long term. An analysis of the historical performance of equity and fixed income investments, together with current market factors such as the inflation and interest rates, are used to help make the assumptions necessary to estimate a long-term rate of return on plan assets. Once this estimate is made, the Company reviews the portfolio of plan assets and makes adjustments thereto that the Company believes are necessary to reflect a diversified blend of equity and fixed income investments that is capable of achieving the estimated long-term rate of return without assuming an unreasonable level of investment risk. The Company also compares the portfolio of plan assets to those of other pension plans to help assess the suitability and appropriateness of the plan's investments.

The Company expects to make $1.0 million in contributions to the plan in 2012. However after considering the funded status of the plan, movements in the discount rate, investment performance and related tax consequences, the Company may choose to make additional contributions to the plan in any given year.

The total amount of the Company's contributions paid under its pension plan was $0.3 million for the year ended December 31, 2011 and $0.8 million for the year ended December 31, 2010.

Information about the expected benefit payments for the plan is as follows:

Year Ending December 31,	
2012	$ 865
2013	951
2014	1,014
2015	1,117
2016	1,202
Years 2017-2021	6,744

The Company has a 401(k) defined contribution plan for all eligible employees. Employees may contribute up to 25% of their compensation into the plan. The Company will contribute an additional 30% of the employee's contributed amount up to 6% of compensation. For the years ended December 31, 2011, 2010 and 2009, the Company's expense for the 401(k) plan amounted to $2.3 million, $2.2 million and $1.7 million, respectively.

11. INCOME TAXES

Components of the provision for income taxes from continuing operations were as follows:

	Year Ended December 31,		
	2011	**2010**	**2009**
Current:			
Federal	$ 7,209	$ 37,320	$ 29,817
State	2,636	8,701	8,187
Total	9,845	46,021	38,004
Deferred:			
Federal	3,312	2,742	(1,651)
State	(112)	(311)	(1,485)
Total	3,200	2,431	(3,136)
Total provision	$ 13,045	$ 48,452	$ 34,868

The components of the deferred tax assets are as follows:

	At December 31, 2011	2010
Deferred tax assets		
Current:		
Accrued vacation	$ 63	$ 126
Net operating loss carryforwards	586	420
Allowance for bad debts	8,076	10,511
Total current deferred tax assets	8,725	11,057
Deferred tax assets		
Noncurrent:		
Allowance for bad debts	665	186
Accrued rent	3,645	3,311
Stock-based compensation	1,855	1,728
Depreciation	-	3,549
Other intangibles	511	-
Prepaid pension asset	2,637	1,124
Net operating loss carryforwards	2,139	2,890
Sale leaseback-deferred gain	2,438	2,318
Other	120	165
Total noncurrent deferred tax assets	14,010	15,271
Deferred tax liabilities		
Noncurrent:		
Depreciation	(1,995)	-
Other intangibles	-	(2,333)
Goodwill	(10,138)	(11,414)
Total deferred tax liabilities	(12,133)	(13,747)
Total net noncurrent deferred tax assets	1,877	1,524
Total net deferred tax assets	$ 10,602	$ 12,581

The difference between the actual tax provision and the tax provision that would result from the use of the Federal statutory rate is as follows:

	Year Ended December 31, 2011		2010		2009	
Income from continuing operations before taxes	$ 30,585		$ 118,183		$ 84,107	
Expected tax	$ 10,705	35.0%	$ 41,364	35.0%	$ 29,438	35.0%
State tax expense (net of federal benefit)	1,640	5.4	5,454	4.6	4,356	5.2
Permanent impairment	475	1.6	2,185	1.9	-	-
Other	225	0.7	(551)	(0.5)	1,074	1.3
Total	$ 13,045	42.7%	$ 48,452	41.0%	$ 34,868	41.5%

The following table summarizes the activity related to the Company's uncertain tax positions:

	Year Ended December 31,		
	2011	2010	2009
Balance at January 1,	$ 100	$ 200	$ 100
Gross (decreases) increases for tax positions of prior years	-	(100)	100
Balance at December 31,	$ 100	$ 100	$ 200

Included in the balance of unrecognized tax benefits at December 31, 2011 and 2010 are unrecognized tax benefits of $0.1 million, respectively, of which $0.1 million would be reflected as an adjustment to income tax expense if recognized. It is expected that the amount of unrecognized tax benefits will change in the next 12 months; however, the Company does not expect the change to have a significant impact on its results of operations or financial position.

The Company recognizes accrued interest and penalties related to uncertain tax positions in income tax expense. During the years ended December 31, 2011 and 2010, the interest and penalties expense associated with uncertain tax positions are not significant to its results of operations or financial position.

The Company or one of its subsidiaries files income tax returns in the U.S. federal jurisdiction, and various states. The Company is no longer subject to U.S. federal income tax examinations for years before 2008 and generally, is no longer subject to state and local income tax examinations by tax authorities for years before 2007.

12. SEGMENT REPORTING

Each of the Company's schools is a reporting unit. The Company's reporting units have been aggregated into one operating segment because, in the Company's judgment, the reporting units have similar products, production processes, types of customers, methods of distribution, regulatory environment and economic characteristics.

13. RELATED PARTY TRANSACTIONS

On December 9, 2010, the Company purchased 5,307 shares of its common stock from its Executive Chairman in connection with his exercise of 60,000 stock options on the same date.

As discussed in Note 9, on December 15, 2009, the Company entered into a Repurchase Agreement with BTS relating to the Company's repurchase of 1,250,000 shares of the Company's common stock owned by BTS at a purchase price of $20.95 per share or an aggregate purchase price of $26,187,500. The Repurchase Shares represented approximately 4.6% of the Company's total shares of common stock outstanding on December 15, 2009.

14. COMMITMENTS AND CONTINGENCIES

Lease Commitments—The Company leases office premises, educational facilities and various equipment for varying periods through the year 2032 at basic annual rentals (excluding taxes, insurance, and other expenses under certain leases) as follows:

Year Ending December 31,	Finance Obligation	Operating Leases	Capital Leases
2012	$ 1,463	$ 23,248	$ 2,609
2013	1,463	22,085	2,505
2014	1,463	20,916	2,494
2015	1,463	19,240	2,494
2016	1,465	16,000	2,556
Thereafter	-	63,851	42,493
	7,317	165,340	55,151
Less amount representing interest	(7,317)	-	(28,315)
	$ -	$ 165,340	$ 26,836

On December 28, 2001, the Company completed a sale and a leaseback of four owned facilities to a third party for net proceeds of approximately $8.8 million. The initial term of the lease is 15 years with two ten-year extensions. The lease is an operating lease that

starts at $1.2 million in the first year and increases annually by the consumer price index. The lease includes an option at the end of the initial lease term to purchase the facilities at fair value, as defined. This transaction is being accounted for as a lease obligation. The net proceeds received have been reflected in the consolidated balance sheet as a finance obligation. The lease payments are included as a component of interest expense.

Rent expense, included in operating expenses in the accompanying consolidated financial statements for the three years ended December 31, 2011 is $27 million, $24.7 million, and $23.3 million, respectively. Interest expense related to the financing obligation in the accompanying financial statements for the years ended December 31, 2011, 2010 and 2009 is $1.5 million, $1.4 million and $1.4 million, respectively.

Capital Expenditures—The Company has entered into commitments to expand and renovate campuses. These commitments are in the range of $1.0 to $3.0 million in the aggregate and are due within the next 12 months.

Litigation and Regulatory Matters— In the ordinary conduct of business, the Company is subject to periodic lawsuits, investigations and claims, including, but not limited to, claims involving students or graduates and routine employment matters. Although the Company cannot predict with certainty the ultimate resolution of lawsuits, investigations and claims asserted against it, the Company does not believe that any currently pending legal proceeding to which it is a party will have a material adverse effect on its business, financial condition, results of operations or cash flows.

The Company and several executive officers were named as defendants in two purported securities class action lawsuits. The complaints, which were both filed in the U.S. District Court for the District of New Jersey, alleged that the Company and the other defendants made false and misleading statements and failed to disclose material adverse facts about the Company's business and prospects in violation of federal securities laws. The plaintiffs sought damages for the purported class. The complaints were filed on

students with the exception of one pre-existing vendor contract. The Company earned credits that are redeemable for tools and equipment based on the number of automotive graduated quarterly. In addition, credits are earned on our purchases as well as purchases made by students enrolled in our automotive programs. Snap-on receivable for credits not redeemed for the years ended December 31, 2011 and 2010 was $0.4 million and $0.7 million, respectively.

On October 1, 2005, the Company entered into an agreement with Snap-on exclusively for our Queens, NY campus opened March 27, 2006 which expired on November 30, 2011. We had agreed to grant Snap-on exclusive rights to in school advertising and supplying all student training tools and equipment, as well as our automotive equipment purchases. In exchange, Snap-on agreed to advance tools and equipment needed to build out the school, not to exceed $1.0 million at list price. The equipment advance was offset by credits earned through purchases by the Queens campus and their students. Snap-on liability resulting from advanced equipment received in excess of credits earned for the years ended December 31, 2011 and 2010, was $0.2 million and $0.3 million, respectively.

As part of the acquisition of BAR in January 2009, the Company assumed an agreement with Snap-on exclusively for our East Windsor, Connecticut campus which expired on December 31, 2011. We had agreed to grant Snap-on exclusive rights to promote and sell to East Windsor students' equipment offered by Snap-on. In exchange, Snap-on agreed to initially advance tools and equipment up to $0.5 million of the equipment to East Windsor as agreed upon by the parties. Snap-on could have at its discretion advance additional amounts for equipment according to the agreement Snap-on liability resulting from advanced equipment received in excess of credits earned for years ended December 31, 2011 and 2010 was $0.1 million and $0.2 million, respectively.

Executive Employment Agreements—The Company entered into employment contracts with key executives that provide for continued salary payments if the executives are terminated for reasons other than cause, as defined in the agreements. The future employment contract commitments for such employees were approximately $8.9 million at December 31, 2011.

Change in Control Agreements—In the event of a change of control several key executives will receive continued salary payments based on their employment agreements.

Surety Bonds—Each of the Company's campuses must be authorized by the applicable state education agency in which the campus is located to operate and to grant degrees, diplomas or certificates to its students. The campuses are subject to extensive, ongoing regulation by each of these states. In addition, our campuses are required to be authorized by the applicable state education agencies of certain other states in which our campuses recruit students. The Company is required to post surety bonds on behalf of our campuses and education representatives with multiple states to maintain authorization to conduct our business. At December 31, 2011, the Company has posted surety bonds in the total amount of approximately $15.1 million.

15. UNAUDITED QUARTERLY FINANCIAL INFORMATION

Quarterly financial information for 2011 and 2010 is as follows:

	Quarter			
2011	**First**	**Second**	**Third**	**Fourth**
Revenues	$ 145,358	$ 128,224	$ 123,482	$ 115,561
Operating income (loss)	18,475	9,338	(5,043)	12,114
Net income (loss)	10,356	4,930	(3,926)	6,179
Income per share:				
Basic				
Net income (loss) per share	$ 0.47	$ 0.22	$ (0.18)	$ 0.28
Diluted				
Net income (loss) per share	$ 0.46	$ 0.22	$ (0.18)	$ 0.28

	Quarter			
2010	**First**	**Second**	**Third**	**Fourth**
Revenues	$ 152,466	$ 152,795	$ 167,211	$ 167,022
Operating income	25,320	22,983	32,376	41,962
Net income	14,460	13,195	18,881	23,195
Income per share:				
Basic				
Net income per share	$ 0.57	$ 0.51	$ 0.77	$ 1.06
Diluted				
Net income per share	$ 0.55	$ 0.50	$ 0.76	$ 1.04

16. DIVIDENDS

On March 2, 2012, the Company's Board of Directors declared a quarterly cash dividend of $0.07 per share of common stock outstanding, which will be paid on March 30, 2012 to shareholders of record on March 15, 2012.

On October 27, 2011, the Company's Board of Directors declared a quarterly cash dividend of $0.07 per share of common stock outstanding, which was paid on December 30, 2011 to shareholders of record on December 15, 2011.

On November 3, 2010, the Company's Board of Directors declared an annual cash dividend of $1.00 per share of common stock outstanding, payable quarterly. The dividend was recorded as a reduction to retained earnings as of December 31, 2010 and adjusted for actual payments as of December 31, 2010, March 31, 2011, June 30, 2011 and September 30, 2011. The establishment of future record and payment dates is subject to the final determination of the Company's Board of Directors.

LINCOLN EDUCATIONAL SERVICES CORPORATION

Schedule II—Valuation and Qualifying Accounts

Description	(in thousands) Balance at Beginning of Period	Charged to Expense	Accounts Written-off	Balance at End of Period
Allowance accounts for the year ended:				
December 31, 2011				
Student receivable allowance	$ 26,993	$ 30,553	$ (35,688)	$ 21,858
December 31, 2010				
Student receivable allowance	$ 26,859	$ 39,106	$ (38,972)	$ 26,993
December 31, 2009				
Student receivable allowance	$ 14,738	$ 36,982	$ (24,861)	$ 26,859

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