UNIVERSAL TECHNICAL INSTITUTE INC
Form 424B4
April 27, 2004

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Filed pursuant to Rule 424(b)(4)
Registration Number: 333-114185

5,500,000 Shares

Common Stock

The shares of common stock are being sold by the selling stockholders. We will not receive any of the proceeds from the shares of common stock sold by the selling stockholders.

Our common stock is listed on the New York Stock Exchange under the symbol UTI. The last reported sale price on April 26, 2004 was $40.15 per share.

The underwriters have an option to purchase a maximum of 825,000 additional shares from the selling stockholders to cover over-allotments of shares, if any.

Investing in our common stock involves risks. See Risk Factors beginning on page 9.

	Price to Public	Underwriting Discounts and Commissions	Proceeds to Selling Stockholders
Per Share	$ 40.00	$ 1.80	$ 38.20
Total	$ 220,000,000	$ 9,900,000	$ 210,100,000

Delivery of the shares of common stock will be made on or about April 30, 2004.

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

Credit Suisse First Boston

Banc of America Securities LLC

Jefferies & Company, Inc.

Thomas Weisel Partners LLC

SunTrust Robinson Humphrey

The date of this prospectus is April 26, 2004.

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You should rely only on the information contained in this document or to which we have referred you. We have not authorized anyone to provide you with information that is different. This document may only be used where it is legal to sell these securities. The information in this document may only be accurate on the date of this document.

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PROSPECTUS SUMMARY

This summary highlights information contained elsewhere in this prospectus. This summary sets forth the material terms of the offering, but does not contain all of the information that you should consider before investing in our common stock. You should read the entire prospectus carefully before making an investment decision, especially the risks of investing in our common stock discussed under Risk Factors. Unless the context otherwise requires, the terms we, us and our refer to Universal Technical Institute, Inc., our predecessor entities and our subsidiaries. Unless otherwise indicated, industry data are derived from publicly available sources, which we have not independently verified. Unless specifically indicated otherwise or unless the context otherwise requires, the information in this prospectus assumes no exercise of the underwriters over-allotment option.

Universal Technical Institute, Inc.

Overview of Our Business

We are a leading provider of post-secondary education for students seeking careers as professional automotive, diesel, collision repair, motorcycle and marine technicians, as measured by total undergraduate enrollment and number of graduates. We offer undergraduate degree, diploma and certificate programs at seven campuses across the United States, and manufacturer-sponsored advanced programs at 22 dedicated training centers. For the twelve months ended September 30, 2003 and the three months ended December 31, 2003, our average undergraduate enrollments were 10,568 and 12,856 full-time students, respectively. We have provided technical education for over 35 years.

We work closely with leading original equipment manufacturers (OEMs) in the automotive, diesel, motorcycle and marine industries to understand their needs for qualified service professionals. By staying current on the equipment and technology employed by OEMs, we are able to continuously refine and expand our programs and curricula. We believe that our industry-oriented educational philosophy and national presence have enabled us to develop valuable industry relationships that provide us with a significant competitive strength and support our market leadership. We are a primary, and often the sole, provider of manufacturer-based training programs pursuant to written agreements with various OEMs whereby we provide technician training programs using their equipment and vehicles. These OEMs include Audi of America; American Honda Motor Co., Inc.; BMW of North America, LLC; Ford Motor Co.; International Truck and Engine Corp.; Jaguar Cars, Inc.; Mercedes-Benz USA, LLC; Mercury Marine; Porsche Cars of North America, Inc.; Toyota Motor Sales, U.S.A., Inc.; Volkswagen of America, Inc.; Volvo Cars of North America, Inc.; and Volvo Penta of the Americas, Inc.

Through our campus-based undergraduate programs, we offer specialized technical education under the banner of several well-known brands, including Universal Technical Institute (UTI), Motorcycle Mechanics Institute and Marine Mechanics Institute (collectively, MMI) and NASCAR Technical Institute (NTI). The majority of our undergraduate programs are designed to be completed in 12 to 18 months and culminate in an associate s degree, diploma or certificate, depending on the program and campus. Tuition ranges from approximately $18,000 to $33,000 per program, primarily depending on the nature and length of the program. All of our undergraduate programs are accredited and eligible for federal Title IV financial aid. Upon completion of one of our automotive or diesel undergraduate programs, qualifying students have the opportunity to enroll in one of the manufacturer-sponsored advanced training programs that we offer. These training programs are manufacturer-specific and are offered in a facility in which the OEM supplies the cars, equipment, specialty tools and curriculum. Tuition for these advanced training programs is paid by each participating OEM in return for a commitment by the student to work for a dealer of that OEM upon graduation. We also provide continuing education and retraining to experienced technicians at our customers sites or in our training facilities.

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Market Opportunity

We believe that the market for qualified service technicians is large and growing. In 2000, the U.S. Department of Labor estimated that there were approximately 840,000 working automotive technicians in the United States, and that this number was expected to increase by 18% from 2000 to 2010. Other 2000 estimates provided by the U.S. Department of Labor indicate that, from 2000 to 2010, the number of technicians in the other industries we serve, including diesel repair, collision repair, motorcycle repair and marine repair are expected to increase by 14%, 10%, 9% and 9%, respectively. Furthermore, in 2003, the National Auto Dealers Association cited a shortage of approximately 60,000 automotive technicians. This increasing need for technicians is due to a variety of factors, including rapid technological advancement in the industries our graduates enter, a continued increase in the number of automobiles, trucks, motorcycles and boats in service, as well as an aging workforce that generally requires retraining to keep up with technological advancements and maintain its technical competency. As a result of these factors, there will be approximately 55,000 new job openings each year from 2000 to 2010 in the fields we serve, according to data collected by the U.S. Department of Labor. In addition to the increase in demand for newly qualified technicians, manufacturers are increasingly outsourcing their training functions, seeking preferred education partners that can offer high quality curricula and that have a national presence to meet the employment and advanced retraining needs of their national dealer networks.

Control by Our Affiliates

Immediately after this offering, our executive officers, directors and principal and selling stockholders listed in the section entitled Principal and Selling Stockholders will, in the aggregate, directly or indirectly hold approximately 47.3% of our outstanding shares of common stock. Accordingly, in the event that all or some of these stockholders decided to act in concert, they would have the ability to significantly influence the outcomes of various matters requiring the vote of stockholders.

Regulatory Environment

All of our campuses have been certified by the U.S. Department of Education, or ED, to participate in the federal Title IV student financial assistance programs, so that students enrolled in our undergraduate programs are eligible to receive federal student loans and grants. Like all other institutions participating in the Title IV programs, our campuses are subject to extensive regulation by ED, their accrediting commission and the states in which they operate, regarding their educational programs, financial condition and numerous other operational matters.

Competitive Strengths

We believe that we are well positioned to capitalize on current market opportunities as a result of the following competitive strengths:

Industry-Oriented Business Model. We work extensively with leading automotive, diesel, collision repair, motorcycle and marine equipment manufacturers, dealers and suppliers to determine the present and future needs of the end-markets our graduates enter and to tailor our educational programs to best serve those constituents. As a result, we believe that our graduates have the opportunity to work for the most desirable employers in their chosen fields due to the quality of their education and their commitment to careers as professional service technicians. In turn, we believe that the higher quality employment opportunities available to our graduates drive increased enrollments at our campuses and training centers.

Unique Manufacturer-Based Programs. We work closely with OEMs to develop brand-specific education programs. Participating manufacturers typically assist us in developing course content and curricula, and provide us with equipment, specialty tools and parts at no charge. In addition, the manufacturer pays the full tuition of each student enrolled in our advanced training programs. Our collaboration with OEMs enables us to provide highly specialized education to our students, resulting in improved employment opportunities and the potential for higher wages for graduates.

Pursuant to written agreements, we provide such programs for Audi of America; American Honda Motor Co., Inc.; BMW of North America, LLC; Ford Motor Co.; International Truck and Engine Corp.; Jaguar Cars, Inc.; Mercedes-Benz USA, LLC; Mercury Marine; Porsche Cars of North America, Inc.; Toyota Motor Sales, U.S.A., Inc.; Volkswagen of America, Inc.; Volvo Cars of North America, Inc.; and Volvo Penta of the Americas, Inc.

Industry Relationships. In addition to our curriculum-based relationships with OEMs, we develop and maintain a variety of complementary relationships with parts and tools suppliers, enthusiast organizations and other participants in the industries we serve. These relationships provide us with a variety of strategic and financial benefits, including equipment sponsorship, new product support, licensing and branding opportunities, and selected financial sponsorship for our campuses and students. We believe that these relationships improve the quality of our educational programs, reduce our investment cost of equipping classrooms, enable us to expand the scope of our programs, strengthen our graduate placements and enhance our overall image within the industry.

National Presence. Since our founding in 1965, we have grown our business and expanded our campus platform to establish a national presence. Through the UTI, MMI and NTI brands, our undergraduate campuses and advanced training centers currently provide us with local representation covering several geographic regions across the United States. Supporting our campuses, we maintain a national recruiting network of approximately 200 education representatives who are able to identify, advise and enroll students from all 50 states. Consequently, unlike competitors with single or regional campus models, we are able to effectively reach a national pool of potential students and to provide qualified professionals to our various end-markets on a broad geographic basis.

Superior Recruiting Strategy. We employ an integrated marketing and recruitment strategy that we believe enables us to effectively target and recruit both traditional post-secondary students and working adults. Our field-based education representatives provide a local presence to prospective students at high schools across the country. Additionally, our campus-based education representatives respond to media-driven inquiries from adults across the United States who are interested in returning to school. We support our education representatives recruiting efforts with a national multimedia marketing strategy that includes television, enthusiast magazines, direct mail and the Internet.

Operating Strategy

Our goal is to maintain and strengthen our role as a leading provider of technical education services. We intend to pursue the following strategies to attain this goal:

Open New Campuses. We continue to identify new markets that we believe will complement our established campus network and support further growth. We believe that there are a number of local markets, in regions where we do not currently have a campus, with both pools of interested prospective students and career opportunities for graduates. By establishing campuses in these locations, we believe that we will be able to supply skilled technicians to local employers, as well as provide educational opportunities for students otherwise unwilling to relocate to acquire a post-secondary education. Additional locations will also provide us with an opportunity to expand our relationships with OEMs by providing a graduate population with greater geographic reach. We are developing a campus in Exton, Pennsylvania where we will initially offer programs in automotive technology. Our Pennsylvania campus is currently scheduled to open in the fourth quarter of our 2004 fiscal year.

Increase Recruitment and Marketing. We plan to hire additional education representatives to enhance our recruitment coverage in territories where we are currently active in recruiting students and to expand into new regions and cities. In our 2003 fiscal year, our field-based education representatives made approximately 9,000 high school visits and approximately 414,000 student contacts. In addition, during the same period, our campus-based education representatives addressed

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approximately 270,000 media-driven inquiries from prospective students. We believe that additional education representatives, combined with increased marketing spending, will increase our national presence and enable us to better target the prospective student pool from which we recruit.

Expand Program Offerings. As the industries we serve become more technologically advanced, the requisite training for qualified technicians continues to increase. We continually work with our industry customers to expand and adapt our course offerings to meet their needs for skilled technicians. We also intend to increase the number of specialized or manufacturer-specific electives we offer in our undergraduate programs, such as our *Hot Rod U* high performance series and our Ford-certified elective. Additionally, we intend to expand the program offerings at our Orlando, Florida campus to include an automotive technology program.

Seek Additional Industry Relationships. We actively seek to develop new relationships with leading OEMs, dealership networks and other industry participants. Securing such relationships will enable us to further drive undergraduate enrollment growth, diversify funding sources and expand the scope and increase the number of the programs we offer. We believe that these relationships are also valuable to our industry partners since our programs provide them with a steady supply of highly trained service technicians and are a cost-effective alternative to in-house training. Therefore, we believe that these relationships will also provide us additional incremental revenue opportunities from retraining OEMs existing employees.

Consider Strategic Acquisitions. We may selectively consider acquisition opportunities that, among other factors, would complement our program offerings, benefit from our expertise and scale in marketing and administration and could be integrated into our existing operations.

Recent Developments

Orlando Lease

We have received regulatory approval to expand the program offerings at our Orlando, Florida campus to include an automotive technology program. We presently offer motorcycle and marine training curricula at our Orlando, Florida campus. We are currently in negotiations to enter into a long-term lease agreement for a facility that will accommodate the automotive technology program. We anticipate that the new facility for the automotive program will be available for occupancy in the fall of 2004. As we develop the new facility, we expect to increase the total capacity of our Orlando campuses from approximately 1,900 students to approximately 2,400 students over the next few years. Pre-opening costs to launch the new Orlando automotive technology program are currently estimated to be approximately $3.0 million, including $1.0 million related to capital expenditures and the remaining $2.0 million, on a pre-tax basis, related to sales and marketing costs as well as educational services and facilities costs. The Orlando automotive program expansion is intended to address the growing need for technicians among our industry customers in that region. According to occupational projections of the State of Florida for 2000 through 2010, Florida has the ninth largest number of annual automotive technician openings in the United States.

Rancho Cucamonga Relocation

We have entered into a lease for a new 190,000 square foot facility in Rancho Cucamonga, California. This new facility will replace the current UTI Rancho Cucamonga, California facility and certain training facilities for manufacturer-sponsored programs. The new campus is currently scheduled to open in the fall of 2004. The new facility is expected to increase our student capacity at this location by approximately 800 students, to a total of approximately 2,000 students. Exiting the current campus lease early has resulted in an additional charge for depreciation related to a change in the estimated useful life of the leasehold improvement for the campus of approximately $0.3 million in our first quarter ending December 31, 2003, and is expected to result in a similar charge of approximately $0.3 million in each subsequent quarter of our 2004 fiscal year. Furthermore, as a result of an opportunity to terminate the current Rancho Cucamonga, California campus lease earlier than anticipated, we expect to incur additional exit costs of between $0.5 million and $0.8 million during the 2004 fiscal year.

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Toyota Training Alliance

In April 2004, we entered into a training alliance with Toyota Motor Sales, U.S.A., Inc. to develop the Toyota Professional Automotive Technician (TPAT) program, a new Toyota and Lexus brand-specific training program. This training alliance represents the first time our automotive program has formed a relationship with a major Japanese manufacturer. The TPAT program is a three-phase, nine-week undergraduate elective program that will allow UTI students to train on Toyota and Lexus vehicles, including their new gas-electric hybrid automobiles. We currently expect that the new TPAT curriculum will be offered at our Glendale Heights, Illinois campus beginning in the summer of 2004.

Our principal executive offices are located at 20410 North 19th Avenue, Suite 200, Phoenix, Arizona 85027 and our telephone number is (623)445-9500.

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The Offering

Common stock offered	5,500,000 shares by the selling stockholders (or 6,325,000 shares if the underwriters exercise the over-allotment option in full)
Common stock outstanding before and after the offering	27,710,576 shares
New York Stock Exchange symbol	UTI
Use of proceeds	We will not receive any of the proceeds from the sale of shares of our common stock by the selling stockholders.
Dividend Policy	We do not expect to pay any dividends on our common stock for the foreseeable future.
Risk Factors	You should carefully read and consider the information set forth under Risk Factors and all other information set forth in this prospectus before investing in our common stock.

All of the shares offered by this prospectus are being offered by the selling stockholders. As of March 31, 2004, the selling stockholders owned approximately 46.8% of our outstanding common stock. After giving effect to the offering and assuming the full exercise of the underwriters option to purchase 825,000 additional shares, the selling stockholders will own approximately 24.0% of our outstanding common stock.

The number of shares of common stock outstanding before and after the offering is based on the number of shares of common stock outstanding as of March 31, 2004. This number does not include:

- 744,690 shares of common stock issuable upon the exercise of stock options outstanding as of March 31, 2004 pursuant to the management 2002 stock option plan.
- 4,430,972 shares of common stock reserved for future issuance under our 2003 stock incentive plan, which includes 1,487,743 shares of common stock issuable upon exercise of stock options outstanding as of March 31, 2004.
- an aggregate of 300,000 shares of common stock reserved for future issuance under our 2003 employee stock purchase plan.

Unless specifically indicated otherwise or unless the context otherwise requires, the information in this prospectus assumes no exercise of the underwriters over-allotment option.

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Summary Financial and Other Data

The following table sets forth our summary historical consolidated financial and operating data as of the dates and for the periods indicated. The summary historical consolidated statement of operations data for each of the years in the three-year period ended September 30, 2003 have been derived from our audited consolidated financial statements, which are included elsewhere in this prospectus. The summary historical consolidated statement of operations data for the three months ended December 31, 2002 and 2003 and the summary historical consolidated balance sheet data as of December 31, 2003 have been derived from our unaudited consolidated financial statements, which are included elsewhere in this prospectus. In our opinion, the unaudited consolidated financial statements have been prepared on the same basis as the audited consolidated financial statements and include all adjustments, consisting of only normal recurring adjustments, necessary for a fair presentation of the information set forth therein. The results for any interim period are not necessarily indicative of the results that may be expected for a full fiscal year.

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

	Year Ended September 30,			Three Months Ended December 31,	
	2001	2002	2003	2002	2003
			(dollars in thousands)		
				(unaudited)	
Statement of Operations Data:					
Net revenues	$109,493	$144,372	$196,495	$45,374	$59,043
Operating expenses:					
Educational services and facilities	59,554	70,813	92,443	20,880	25,602
Selling, general and administrative	38,332	51,541	67,896	16,254	19,426
Total operating expenses	97,886	122,354	160,339	37,134	45,028
Income from operations	11,607	22,018	36,156	8,240	14,015
Interest expense, net	10,674	6,254	3,658	1,092	790
Other expense (income)		847	(234)		752
Income from continuing operations and before income taxes	933	14,917	32,732	7,148	12,473
Income tax expense	820	5,228	12,353	2,502	5,020
Income from continuing operations	113	9,689	20,379	4,646	7,453
Discontinued operations:					
Loss from operations, net of taxes	(8,536)				
Loss on sale, net of taxes	(1,316)				
Net income (loss)	(9,739)	9,689	20,379	4,646	7,453
Preferred stock dividends	(1,166)	(2,872)	(6,413)	(1,145)	(776)
Net income (loss) available to common shareholders	$ (10,905)	$ 6,817	$ 13,966	$ 3,501	$ 6,677
Income (loss) from continuing operations per share:					
Basic	$ (0.08)	$ 0.51	$ 1.03	$ 0.26	$ 0.43
Diluted	$ (0.08)	$ 0.44	$ 0.79	$ 0.18	$ 0.30

Weighted average shares:					
Basic	13,402	13,402	13,543	13,402	15,439
Diluted	13,402	20,244	25,051	24,915	25,042

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	Year Ended September 30,			Three Months Ended December 31,	
	2001	2002	2003	2002	2003
	(dollars in thousands)			(unaudited)	
Other Data:					
Depreciation and amortization[1]	$4,532	$4,948	$ 6,382	$ 1,506	$ 2,095
Number of campuses	6	7	7	7	7
Average undergraduate enrollments	6,710	8,277	10,568	10,319	12,856

	As of December 31, 2003
	(in thousands) (unaudited)
Balance Sheet Data:	
Cash and cash equivalents	$ 28,799
Current assets	$ 47,175
Working capital (deficit)[2]	$(13,038)
Total assets	$ 99,054
Total debt	$ 244
Total shareholders equity	$ 31,477

(1) Depreciation and amortization includes deferred financing fees representing capitalized costs in connection with obtaining financing. Amortization of deferred financing fees was $0.6 million, $1.1 million and $0.5 million for the fiscal years ended September 30, 2001, 2002 and 2003, respectively, and $0.3 million and $0.1 million for the three months ended December 31, 2002 and 2003, respectively.

(2) Working capital (deficit) is defined as current assets less current liabilities.

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RISK FACTORS

Investing in our common stock involves risks. Before making an investment in our common stock, you should carefully consider the following risks, as well as the other information contained in this prospectus, including our consolidated financial statements and the related notes and Management s Discussion and Analysis of Financial Condition and Results of Operations. The risks described below are those which we believe are the material risks we face. Any of the risk factors described below could significantly and adversely affect our business, prospects, financial condition and results of operations. As a result, the trading price of our common stock could decline and you may lose all or part of your investment.

Risks Related to Our Industry

Failure of our schools to comply with the extensive regulatory requirements for school operations could result in financial penalties, restrictions on our operations and loss of external financial aid funding.

In our 2003 fiscal year, we derived approximately 68% of our net revenues from federal student financial aid programs, referred to in this prospectus as Title IV Programs, administered by the U.S. Department of Education, or ED. To participate in Title IV Programs, a school must receive and maintain authorization by the appropriate state education agencies, be accredited by an accrediting commission recognized by ED and be certified as an eligible institution by ED. As a result, our undergraduate schools are subject to extensive regulation by the state education agencies, our accrediting commission and ED. These regulatory requirements cover the vast majority of our operations, including our undergraduate educational programs, facilities, instructional and administrative staff, administrative procedures, marketing, recruiting, financial operations and financial condition. These regulatory requirements also affect our ability to acquire or open additional schools, add new, or expand our existing, undergraduate educational programs and change our corporate structure and ownership. Most ED requirements are applied on an institutional basis, with an institution defined by ED as a main campus and its additional locations, if any. Under ED s definition, we have three such institutions. The state education agencies, our accrediting commission and ED periodically revise their requirements and modify their interpretations of existing requirements.

If our schools failed to comply with any of these regulatory requirements, our regulatory agencies could impose monetary penalties, place limitations on our schools operations, terminate our schools ability to grant degrees, diplomas and certificates, revoke our schools accreditation or terminate their eligibility to receive Title IV Program funds, each of which could adversely affect our financial condition and results of operations and impose significant operating restrictions upon us. In addition, the loss by any of our institutions of its accreditation necessary for Title IV Program eligibility, or the cancellation of any such institution s ability to participate in Title IV Programs, in each case that is not cured within a specified period, constitutes an event of default under our senior credit facility agreement. We cannot predict with certainty how all of these regulatory requirements will be applied or whether each of our schools will be able to comply with all of the requirements in the future. We have described some of the most significant regulatory risks that apply to our schools in the following paragraphs.

Congress may change the law or reduce funding for Title IV Programs, which could reduce our student population, net revenues or profit margin.

Congress periodically revises the Higher Education Act of 1965, as amended, and other laws governing Title IV Programs and annually determines the funding level for each Title IV Program. Congress began the process of reviewing and reauthorizing the Higher Education Act in 2003 and is expected to conclude the process in late 2004 or in 2005, which will likely result in numerous changes to the law. Any action by Congress that significantly reduces funding for Title IV Programs or the ability of our schools or students to receive funding through these programs could reduce our student population and net revenues. Congressional action may also require us to modify our practices in ways that could result in increased administrative costs and decreased profit margin.

If our schools do not maintain their state authorizations, they may not operate or participate in Title IV Programs.

A school that grants degrees, diplomas or certificates must be authorized by the relevant education agency of the state in which it is located. Requirements for authorization vary substantially among states. State authorization is also required for students to be eligible for funding under Title IV Programs. Loss of state authorization by any of our schools from the education agency of the state in which the school is located would end that school s eligibility to participate in Title IV Programs and could cause us to close the school.

If our schools do not maintain their accreditation, they may not participate in Title IV Programs.

A school must be accredited by an accrediting commission recognized by ED in order to participate in Title IV Programs. Loss of accreditation by any of our schools would end that school s participation in Title IV Programs and could cause us to close the school.

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

A school participating in Title IV Programs must correctly calculate the amount of unearned Title IV Program funds that has been disbursed to students who withdraw from their educational programs before completing them and must return those unearned funds in a timely manner, generally within 30 days of the date the school determines that the student has withdrawn. If the unearned funds are not properly calculated and timely returned, we may have to post a letter of credit in favor of ED or be otherwise sanctioned by ED, which could increase our cost of regulatory compliance and adversely affect our results of operations. With respect to our 2002 fiscal year, two of our institutions made late returns of Title IV Program funds in excess of ED s prescribed threshold but were not required to post letters of credit because we had already posted a letter of credit for a greater amount as a result of our failure to satisfy ED s financial responsibility formula. Based on our 2003 fiscal year Title IV compliance audits, none of our institutions made late returns of Title IV Program funds in excess of ED s prescribed threshold for our 2003 fiscal year.

Our schools may lose eligibility to participate in Title IV Programs if the percentage of their revenue derived from those programs is too high, which could reduce our student population.

A for-profit institution loses its eligibility to participate in Title IV Programs if, on a cash accounting basis, it derives more than 90% of its revenue from those programs in any fiscal year. In our 2003 fiscal year, under the regulatory formula prescribed by ED, none of our institutions derived more than 80% of its revenues from Title IV Programs. If any of our institutions loses eligibility to participate in Title IV Programs, that loss would adversely affect our students access to various government-sponsored student financial aid programs, which could reduce our student population.

Our schools may lose eligibility to participate in Title IV Programs if their student loan default rates are too high, which could reduce our student population.

An institution may lose its eligibility to participate in some or all Title IV Programs if its former students default on the repayment of their federal student loans in excess of specified levels. Based upon the most recent official student loan default rates published by ED, none of our institutions has student loan default rates that exceed the specified levels. If any of our institutions loses eligibility to participate in Title IV Programs because of high student loan default rates, that loss would adversely affect our students access to various government-sponsored student financial aid programs, which could reduce our student population.

If we or our schools do not meet the financial responsibility standards prescribed by ED, we may be required to post letters of credit or our eligibility to participate in Title IV Programs could be terminated or limited, which could reduce our student population.

To participate in Title IV Programs, an institution must satisfy specific measures of financial responsibility prescribed by ED or post a letter of credit in favor of ED and possibly accept other conditions on its participation in Title IV Programs. Currently, due to our failure as a parent company to satisfy ED s financial responsibility formula for our 2002 fiscal year, we have posted a letter of credit in the amount of $9.9 million for all of our schools, representing 10% of Title IV Program funds received by our institutions in our 2002 fiscal year. We also did not satisfy ED s financial responsibility formula based on our financial statements for our 2003 fiscal year. We may be required to increase the amount of the existing letter of credit or post additional letters of credit in the future. Our obligation to post one or more letters of credit could increase our costs of regulatory compliance. Our inability to obtain a required letter of credit or other limitations on our participation in Title IV Programs could limit our students access to various government-sponsored student financial aid programs, which could reduce our student population.

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

A school participating in Title IV Programs may not provide any commission, bonus or other incentive payment based on success in enrolling students or securing financial aid to any person involved in any student recruiting or admission activities or in making decisions regarding the awarding of Title IV Program funds. The law and regulations governing this requirement do not establish clear criteria for compliance in all circumstances. If we violate this law, we could be fined or otherwise sanctioned by ED.

If regulators do not approve our acquisition of a school that participates in Title IV funding, the acquired school would not be permitted to participate in Title IV Programs, which could impair our ability to operate the acquired school as planned or to realize the anticipated benefits from the acquisition of that school.

If we acquire a school that participates in Title IV funding, we must obtain approval from ED and applicable state education agencies and accrediting commissions in order for the school to be able to continue operating and participating in Title IV Programs. An acquisition can result in the temporary suspension of the acquired school s participation in Title IV Programs unless we submit a timely and materially complete application for recertification to ED and ED grants a temporary certification. If we were unable to timely re-establish the state authorization, accreditation or ED certification of the acquired school, our ability to operate the acquired school as planned or to realize the anticipated benefits from the acquisition of that school could be impaired.

If regulators do not approve or delay their approval of transactions involving a change of control of our company or any of our schools, our ability to participate in Title IV Programs may be impaired.

If we or any of our schools experience a change of control under the standards of applicable state education agencies, our accrediting commission or ED, we or the affected schools must seek the approval of the relevant regulatory agencies. Transactions or events that constitute a change of control include significant acquisitions or dispositions of our common stock or significant changes in the composition of our board of directors. Some of these transactions or events may be beyond our control. Our failure to obtain, or a delay in receiving, approval of any change of control from ED, our accrediting commission or any state in which our schools are located could impair our ability to participate in Title IV Programs. Our failure to obtain, or a delay in obtaining, approval of any change of control from any state in which we do not have a school but in which we recruit students could require us to suspend our recruitment of students in that state until we receive the required approval. The potential adverse effects of a change of control with respect to participation in Title IV Programs could influence future decisions by us and our stockholders regarding the sale, purchase, transfer, issuance or redemption of our stock. In addition, the adverse regulatory effect of a change of control also could discourage bids for your shares of our common stock and could have an adverse effect on the market price of your shares.

We believe that this offering will not be a change of control under ED standards. However, this offering will be a change of control under the standards of Texas and may be a change of control under the standards of some of the other states in which our schools are located and the standards of our accrediting commission. In each of those states, the affected school will be required to obtain the reaffirmation of the school s state authorization by the relevant state education agencies. In addition, each of our schools may be required to obtain the reaffirmation of the school s accreditation by our accrediting commission. If any of our schools fails to obtain such reaffirmation from the relevant state education agency or our accrediting commission, our results of operations could be adversely affected.

Budget constraints in states that provide state financial aid to our students could reduce the amount of such financial aid that is available to our students, which could reduce our student population.

A significant number of states are facing budget constraints that are causing them to reduce state appropriations in a number of areas. Those states include California, which is one of the states that provide financial aid to our students. We expect that California and other states may decide to reduce the amount of state financial aid that they provide to students, but we cannot predict how significant any of these reductions will be or how long they will last. If the level of state funding for our students decreases and our students are not able to secure alternative sources of funding, our student population could be reduced.

Government and regulatory agencies and third parties may conduct compliance reviews, bring claims or initiate litigation against us.

Because we operate in a highly regulated industry, we are subject to compliance reviews and claims of non-compliance and lawsuits by government agencies, regulatory agencies and third parties. If the results of these reviews or proceedings are unfavorable to us, or if we are unable to defend successfully against lawsuits or claims, we may be required to pay money damages or be subject to fines, limitations, loss of federal funding, injunctions or other penalties. Even if we adequately address issues raised by an agency review or successfully defend a lawsuit or claim, we may have to divert significant financial and management resources from our ongoing business operations to address issues raised by those reviews or defend those lawsuits or claims.

A high percentage of the Title IV student loans our students receive are made by one lender and guaranteed by one guaranty agency.

In our 2003 fiscal year, one lender, Sallie Mae, provided more than 95% of all the federally guaranteed Title IV student loans that our students received, and one student loan guaranty agency, EdFund, guaranteed more than 95% of those loans made to our students. Sallie Mae is one of the largest lenders of federally guaranteed Title IV student loans in the United States in terms of dollar volume, and EdFund is one of the largest guaranty agencies in the United States. If loans by Sallie Mae or guarantees by EdFund were significantly reduced or no longer available and we were not able to timely identify other lenders and guarantors to make or guarantee Title IV Program loans for our students, there could be a delay in our students receipt of their loan funds or in our tuition collection, which would reduce our student population.

Budget constraints in some states may affect our ability to obtain necessary authorizations or approvals from those states to conduct or change our operations.

Due to state budget constraints in some of the states in which we operate, such as Illinois, Texas and California, it is possible that those states may reduce the number of employees in, or curtail the operations of, the state education agencies that authorize our schools. A delay or refusal by any state education agency in approving any changes in our operations that require state approval, such as the opening of a new campus, the introduction of new programs, a change of control or the hiring or placement of new

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education representatives, could prevent us from making such changes or could delay our ability to make such changes.

Risks Related to Our Business

If we fail to effectively manage our growth, we may incur higher costs and expenses than we anticipate in connection with our growth.

We have experienced a period of significant growth since 1998. Our continued growth may strain our management, operations, employees or other resources. We may not be able to maintain or accelerate our current growth rate, effectively manage our expanding operations or achieve planned growth on a timely or profitable basis. If we are unable to manage our growth effectively while maintaining appropriate internal controls, we may experience operating inefficiencies that likely will increase our costs more than we had planned.

Failure on our part to maintain and expand existing industry relationships and develop new industry relationships with our industry customers could impair our ability to attract and retain students.

We have an extensive set of industry relationships that we believe affords us a significant competitive strength and supports our market leadership. These types of relationships enable us to further drive undergraduate enrollment by attracting students through brand name recognition and the associated prospect of high-quality employment opportunities. Additionally, these relationships allow us to diversify funding sources, expand the scope and increase the number of programs we offer and reduce our costs and capital expenditures due to the fact that, pursuant to the terms of the underlying contracts, we provide a variety of specialized training programs and typically do so using tools, equipment and vehicles provided by the OEMs. These relationships also provide additional incremental revenue opportunities from retraining the employees of our industry customers. Our success, therefore, depends in part on our ability to maintain and expand our existing industry relationships and to enter into new industry relationships. Certain of our existing industry relationships, including those with American Suzuki Motor Corp., Harley-Davidson Motor Co., Kawasaki Motors Corp., U.S.A. and Yamaha Motor Corp., USA, as well as the marine training agreement with American Honda Co., Inc., are not memorialized in writing and are based on oral understandings. As a result, the rights of the parties under these arrangements are less clearly defined than they would be were they in writing. Additionally, certain of our existing industry relationship agreements expire within the next six months. Our written agreement with Jaguar Cars, Inc. expired on February 29, 2004 but has been extended until May 29, 2004, and our written motorcycle training agreement with American Honda Motor Co., Inc. expires in September 2004. We are currently negotiating to renew these agreements and intend to renew them to the extent we can do so on satisfactory terms. The reduction or elimination of, or failure to renew any of our existing industry relationships, or our failure to enter into new industry relationships, could impair our ability to attract and retain students. As a result, our market share and net revenues could decrease.

Failure on our part to effectively identify, establish and operate additional schools or campuses could reduce our ability to implement our growth strategy.

As part of our business strategy, we anticipate opening and operating new schools or campuses. Establishing new schools or campuses poses unique challenges and requires us to make investments in management and capital expenditures, incur marketing expenses and devote other resources that are different, and in some cases greater, than those required with respect to the operation of acquired schools. Accordingly, when we open new schools, initial investments could reduce our profitability. To open a new school or campus, we would be required to obtain appropriate state and accrediting commission approvals, which may be conditioned or delayed in a manner that could significantly affect our growth plans. In addition, to be eligible for federal Title IV student financial aid programs, a new school or campus would have to be certified by ED. We cannot be sure that we will be able to identify suitable expansion opportunities to maintain or accelerate our current growth rate or that we will be able to successfully integrate or profitably operate any new schools or campuses. A failure by us to effectively identify, establish and manage the operations of newly established schools or campuses could slow our growth and make any newly established schools or campuses more costly to operate than we had planned.

Our success depends in part on our ability to update and expand the content of existing programs and develop new programs in a cost-effective manner and on a timely basis.

Increasingly, prospective employers of our graduates demand that their entry-level employees possess appropriate technological skills. These skills are becoming more sophisticated in line with technological advancements in the automotive, diesel, collision repair, motorcycle and marine industries. Accordingly, educational programs at our schools should keep pace with those technological advancements. The expansion of our existing programs and the development of new programs may not be accepted by our students, prospective employers or the technical education market. Even if we are able to develop acceptable new programs, we may not be able to introduce these new programs as quickly as the industries we serve require or as quickly as our competitors do. If we are unable to adequately respond to changes in market requirements due to financial constraints, unusually rapid technological changes or other factors, our ability to attract and retain students could be impaired and our placement rates could suffer.

We may not be able to retain our key personnel or hire and retain the personnel we need to sustain and grow our business.

Our success to date has depended, and will continue to depend, largely on the skills, efforts and motivation of our executive officers who generally have significant experience with our company and within the technical education industry. Our success also depends in large part upon our ability to attract and retain highly qualified faculty, school directors, administrators and corporate management. Due to the nature of our business, we face significant competition in the attraction and retention of personnel who possess the skill sets that we seek. In addition, key personnel may leave us and subsequently compete against us. Furthermore, we do not currently carry key man life insurance. The loss of the services of any of our key personnel, or our failure to attract and retain other qualified and experienced personnel on acceptable terms, could impair our ability to successfully manage our business.

If we are unable to hire, retain and continue to develop and train our education representatives, the effectiveness of our student recruiting efforts would be adversely affected.

In order to support revenue growth, we need to hire new education representatives, retain and continue to develop and train our education representatives, who are our employees dedicated to student recruitment. Our ability to develop a strong education representative team may be affected by a number of factors, including our ability to integrate and motivate our education representatives; our ability to effectively train our education representatives; the length of time it takes new education representatives to become productive; restrictions on the method of compensating education representatives imposed by regulatory bodies; the competition we face from other companies in hiring and retaining education representatives; and our ability to effectively manage a multi-location educational organization. If we are unable to hire, develop or retain our education representatives, the effectiveness of our student recruiting efforts would be adversely affected.

Competition could decrease our market share and put downward pressure on our tuition rates.

The post-secondary education market is highly competitive. Some traditional public and private colleges and universities, as well as other private career-oriented schools, offer programs that may be perceived by students to be similar to ours. Most public institutions are able to charge lower tuition than our schools are, due in part to government subsidies and other financial sources not available to for-profit schools. Some of our competitors, such as Corinthian Colleges, Inc., also have substantially greater financial and other resources than we have which may, among other things, allow them to secure industry relationships with some or all of our existing strategic partners or develop other high profile industry relationships or devote more resources to expanding their programs and their school network, all of which could affect the success of our marketing programs. In addition, some of our competitors already have a more extended or dense network of schools and campuses than we do, thus enabling them to recruit students more effectively from a wider geographical area.

We may be required to reduce tuition or increase spending in response to competition in order to retain or attract students or pursue new market opportunities. As a result, our market share, net revenues and operating margin may be decreased. We cannot be sure that we will be able to compete successfully against current or future competitors or that competitive pressures faced by us will not adversely affect our business, financial condition or results of operations.

Our financial performance depends in part on our ability to continue to develop awareness and acceptance of our programs among high school graduates and working adults looking to return to school.

The awareness of our programs among high school graduates and working adults looking to return to school is critical to the continued acceptance and growth of our programs. Our inability to continue to develop awareness of our programs could reduce our enrollments and impair our ability to increase net revenues or maintain profitability. The following are some of the factors that could prevent us from successfully marketing our programs:

- student dissatisfaction with our programs and services;
- diminished access to high school student population;
- our failure to maintain or expand our brand or other factors related to our marketing or advertising practices; and
- our inability to maintain relationships with automotive, diesel, collision repair, motorcycle and marine manufacturers and suppliers.

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

Interest rates have reached historical lows in recent years, creating a favorable borrowing environment for our students. Much of the financing our students receive is tied to floating interest rates. Therefore, any future increase in interest rates will result in a corresponding increase in the cost to our existing and prospective students of financing their studies, which could result in a reduction in our student population and net revenues. Higher interest rates could also contribute to higher default rates with respect to our students repayment of their education loans. Higher default rates may in turn adversely impact our eligibility for Title IV Program participation, which could result in a reduction in our student population.

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

In reviewing our results of operations, you should not focus on quarter-to-quarter comparisons. Our results in any quarter may not indicate the results we may achieve in any subsequent quarter or for the full year. Our net revenues normally fluctuate as a result of seasonal variations in our business, principally due to changes in total student population. Student population varies as a result of new student enrollments, graduations and student attrition. Historically, our schools have had lower student populations in our third fiscal quarter than in the remainder of our fiscal year because fewer students are enrolled during the summer months. Our expenses, however, do not generally vary at the same rate as changes in our student population and net revenues and, as a result, such expenses do not fluctuate significantly on a quarterly basis. We expect quarterly fluctuations in results of operations to continue as a result of seasonal enrollment patterns. Such patterns may change, however, as a result of acquisitions, new school openings, new program introductions and increased enrollments of adult students. In addition, our net revenues for our first fiscal quarter are adversely affected by the fact that we do not recognize revenue during the calendar year-end holiday break, which falls primarily in that quarter. These fluctuations may result in volatility or have an adverse effect on the market price of our common stock.

We may be unable to successfully complete or integrate future acquisitions.

Although we are not presently considering any significant acquisitions, we may consider selective acquisitions in the future. We may not be able to complete any acquisitions on favorable terms or, even if we do, we may not be able to successfully integrate the acquired businesses into our business. Integration challenges include, among others, regulatory approvals, significant capital expenditures, assumption of known and unknown liabilities and our ability to control costs. The successful integration of future acquisitions may also require substantial attention from our senior management and the senior management of the acquired schools, which could decrease the time that they devote to the day-to-day management of our business. If we do not successfully address risks and challenges associated with acquisitions, including integration, future acquisitions could harm, rather than enhance, our operating performance.

In addition, if we consummate an acquisition, our capitalization and results of operations may change significantly. A future acquisition could result in the incurrence of debt and contingent liabilities, an increase in interest expense, amortization expenses, goodwill and other intangible assets, charges relating to integration costs or an increase in the number of shares outstanding. These results could have a material adverse effect on our results of operations or financial condition or result in dilution to current stockholders.

We have recorded a significant amount of goodwill, which may become impaired and subject to a write-down.

Our acquisition of the parent company of MMI in January 1998 resulted in the recording of goodwill. Goodwill, which relates to the excess of cost over the fair value of the net assets of the business acquired, was approximately $20.6 million at December 31, 2003, representing approximately 20.8% of our total assets at that date.

Goodwill is recorded at fair value on the date of the acquisition and, under SFAS No. 142, Goodwill and Other Intangible Assets, is reviewed at least annually for impairment. 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, including changes that restrict the activities of the acquired business, and a variety of other circumstances. The amount of any impairment must be recognized as an expense in the period in which we determine that such impairment has occurred. Any future determination requiring the write-off of a significant portion of goodwill would have an adverse effect on our results of operations during the financial reporting period in which the write-off occurs.

We cannot predict our future capital needs, and we may not be able to secure additional financing.

We may need to raise additional capital in the future to fund our operations, expand our markets and program offerings or respond to competitive pressures or perceived opportunities. We cannot be sure that additional financing will be available to us on favorable terms, or at all. If adequate funds are not available when required or on acceptable terms, we may be forced to cease our operations and, even if we are able to continue our operations, our ability to increase student enrollments will be adversely affected.

We do not anticipate declaring or paying cash dividends on our common stock in the foreseeable future.

We do not anticipate declaring or paying any dividends on our common stock in the foreseeable future. We currently anticipate that we will retain all of our future earnings, if any, to fund the operation and expansion of our business and to use as working capital and for other general corporate purposes. Our board of directors will determine whether to pay dividends in the future based on conditions then existing, including our earnings, financial condition and capital requirements, the availability of third-party financing and the financial responsibility standards prescribed by ED, as well as any economic and other conditions that our board of directors may deem relevant.

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Terrorist attacks and the possibility of wider armed conflicts may adversely affect the U.S. economy and may disrupt our provision of educational services.

Terrorist attacks and other acts of violence or war, such as those that took place on September 11, 2001 and the war between the U.S.-led coalition forces and Iraq, could disrupt our operations. Attacks or armed conflicts that directly impact our physical facilities or ability to recruit and retain students could significantly affect our ability to provide educational services to our students and thereby impair our ability to achieve our expected results. Furthermore, violent acts and threats of future attacks could adversely affect the U.S. and world economies. Finally, future terrorist acts could cause the United States to enter into a wider armed conflict that could further impact our operations and result in prospective students, as well as our current students and personnel, entering the armed services. These factors could cause significant declines in our student population.

Risks Related to the Offering

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

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

- our quarterly or annual earnings or those of other companies in our industry;
- the public s reaction to our press releases, our other public announcements and our filings with the Securities and Exchange Commission;
- changes in earnings estimates or recommendations by research analysts who track our common stock or the stocks of other companies in our industry;
- new laws or regulations or new interpretations of laws or regulations applicable to our business;
- changes in accounting standards, policies, guidance, interpretations or principles;
- changes in general conditions in the U.S. and global economies or financial markets, including those resulting from war, incidents of terrorism or responses to such events; and
- sales of common stock by our directors and executive officers.

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

If our share price is volatile, we may be the target of securities litigation, which is costly and time-consuming to defend.

In the past, following periods of market volatility in the price of a company s securities, security holders have often instituted class action litigation. If the market value of our common stock experiences adverse fluctuations and we become involved in this type of litigation, regardless of the outcome, we could incur substantial legal costs and our management s attention could be diverted from the operation of our business, causing our business to suffer.

This offering will result in a substantial amount of previously unregistered shares of our common stock being registered, which may depress the market price of our common stock.

As of March 31, 2004, the number of outstanding shares of our common stock freely tradable on the New York Stock Exchange and not owned by our officers, directors, or affiliates was approximately 8.6 million. The sale of the shares of common stock in this offering could depress the market price of our common stock.

Future sales of our common stock in the public market could lower our stock price.

Sales of a substantial number of shares of common stock in the public market by our current stockholders, or the threat that substantial sales may occur, could cause the market price of our common stock to decrease significantly or make it difficult for us to raise additional capital by selling stock. In connection with this offering, our directors and executive officers, as well as the selling stockholders in this offering, have entered into 90-day lock-up agreements at the request of the underwriters. On the day that is 91 days after the date of this prospectus, those parties will be able to sell in the public market an aggregate of 13,283,805 shares of our common stock that they will hold after this offering, provided that the requirements of Rule 144 under the Securities Act of 1933 are met. The lock-up agreements of our executive officers, other than John White, allow them, after June 22, 2004, to sell shares of our common stock beneficially owned by them pursuant to a plan that meets the requirements of Rule 10b5-1 under the Securities Exchange Act of 1934, provided that the requirements of Rule 144 are met. As of March 31, 2004, 2,967,128 shares of our common stock were owned by these executive officers. In addition, the lock-up agreement of John White, our Chief Strategic Planning Officer and Vice Chairman of our board of directors, contains a provision that allows him to pledge up to 1,800,000 shares of our common stock held by him to Pershing LLC as collateral for a personal loan.

In connection with our initial public offering in December 2003, our directors and executive officers, and all of our pre-initial public offering stockholders, entered into 180-day lock-up agreements. The 180-day lock-up agreements of those parties who were stockholders prior to our initial public offering, but who have not entered into 90-day lock-up agreements as described above, will remain in effect after this offering and are scheduled to expire, pursuant to their terms, on June 13, 2004. Beginning June 14, 2004, these stockholders will be entitled to sell in the public market an aggregate of approximately 331,071 shares of our common stock that they will hold after this offering, provided that the requirements of Rule 144 are met.

Credit Suisse First Boston LLC may also consent to the release of some or all of these shares that are subject to lock-up agreements for sale prior to the expiration of the applicable lock-up agreement. See the section of this prospectus entitled Shares Eligible for Future Sale for further details regarding the number of shares eligible for sale in the public market after this offering.

Several of our existing stockholders, owning 11,694,883 shares of our common stock after giving effect to this offering, are parties to a registration rights agreement with us. Under that agreement, certain of these stockholders will have the right, after June 13, 2004, to require us to effect the registration of their shares. In addition, if we propose to register, or are required to register following the exercise of a demand registration right, any of our shares of common stock under the Securities Act, all the stockholders who are parties to the registration rights agreement will be entitled to include their shares of common stock in that registration. We cannot predict the size of future issuances of our common stock or the effect, if any, that future issuances and sales of shares of our common stock will have on the market price of our common stock. Sales of substantial amounts of our common stock (including shares issued in connection with an acquisition), or the perception that such sales could occur, may adversely affect prevailing market prices for our common stock.

Anti-takeover provisions in our certificate of incorporation, our bylaws and Delaware law could discourage a change of control that our stockholders may favor, which could negatively affect our stock price.

Provisions in our certificate of incorporation and our bylaws and applicable provisions of the Delaware General Corporation Law may make it more difficult and expensive for a third party to acquire control of us even if a change of control would be beneficial to the interests of our stockholders. These provisions could discourage potential takeover attempts and could adversely affect the market price of our common stock. Our amended and restated certificate of incorporation and amended and restated bylaws:

- authorize the issuance of blank check preferred stock that could be issued by our board of directors to thwart a takeover attempt;

classify the board of directors into staggered, three-year terms, which may lengthen the time required to gain control of our board of directors;

discourage, delay or prevent a change in control by prohibiting us from engaging in a business combination with an interested stockholder for a period of two years after the person becomes an interested stockholder, unless such a transaction has met certain fair market value requirements;

prohibit cumulative voting in the election of directors, which would otherwise allow holders of less than a majority of stock to elect some directors;

require super-majority voting to effect amendments to certain provisions of our certificate of incorporation or bylaws, including those provisions concerning the composition of the board of directors and certain business combinations;

limit who may call special meetings of both the board of directors and stockholders;

prohibit stockholder action by written consent, requiring all actions to be taken at a meeting of the stockholders;

establish advance notice requirements for nominating candidates for election to the board of directors or for proposing matters that can be acted upon by stockholders at stockholders meetings; and

require that vacancies on the board of directors, including newly-created directorships, be filled only by a majority vote of directors then in office.

Our executive officers, directors and principal stockholders will continue to own a large percentage of our voting stock after this offering, which may allow them to control substantially all matters requiring stockholder approval.

Immediately after this offering, our executive officers, directors and principal and selling stockholders listed in the section entitled Principal and Selling Shareholders will, in the aggregate, directly or indirectly hold approximately 47.3% of our outstanding shares of common stock. Accordingly, in the event that all or some of these stockholders decided to act in concert, they would have the ability to significantly influence the outcomes of various matters requiring the vote of stockholders.

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FORWARD-LOOKING STATEMENTS

This prospectus contains forward-looking statements, within the meaning of Section 27A of the Securities Act of 1933 and Section 21E of the Securities Exchange Act of 1934, which include information relating to future events, future financial performance, strategies, expectations, competitive environment, regulation and availability of resources. These forward-looking statements include, without limitation, statements regarding: proposed new programs; scheduled openings of new campuses and campus expansions; expectations that regulatory developments or other matters will not have a material adverse effect on our consolidated financial position, results of operations or liquidity; statements concerning projections, predictions, expectations, estimates or forecasts as to our business, financial and operational results and future economic performance; and statements of management s goals and objectives and other similar expressions concerning matters that are not historical facts. Words such as may, will, should, could, would, predicts, potential, continue, expects, anticipates, future, intends, plan similar expressions, as well as statements in future tense, identify forward-looking statements.

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

- our failure to comply with the extensive regulatory framework applicable to our industry;
- failure on our part to maintain and expand existing industry relationships and develop new industry relationships;
- our success in updating and expanding the content of existing programs and developing new programs in a cost-effective manner or on a timely basis;
- risks associated with the opening of new campuses;
- industry competition;
- our ability to continue to execute our growth strategies;
- general and economic conditions; and
- other factors discussed under the headings Risk Factors, Management s Discussion and Analysis of Financial Condition and Results of Operations, Business and Regulatory Environment.

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

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USE OF PROCEEDS

We will not receive any of the proceeds from the sale of shares by the selling stockholders in this offering. The selling stockholders will receive all of the net proceeds from this offering.

MARKET PRICE OF OUR COMMON STOCK

Our common stock has been listed on the New York Stock Exchange under the symbol UTI since December 17, 2003. Prior to that time, there was no public market for our common stock. The following table sets forth for the periods indicated the high and low sale prices of our common stock on the New York Stock Exchange.

	High	Low
Fiscal Year Ending September 30, 2004		
First Quarter (from December 17, 2003)	$30.40	$24.00
Second Quarter	$43.36	$28.55
Third Quarter (through April 26, 2004)	$42.61	$39.01

On April 26, 2004, the closing sale price of our common stock as reported on the New York Stock Exchange was $40.15 per share. At March 31, 2004, there were 50 holders of record of our common stock, based on the stockholders list maintained by our transfer agent. This number does not include beneficial owners of our common stock whose shares are held in the names of various dealers, clearing agencies, banks, brokers and other fiduciaries.

DIVIDEND POLICY

We do not anticipate declaring or paying any dividends on our common stock in the foreseeable future. Instead, we currently anticipate that we will retain all of our future earnings, if any, to fund the operation and expansion of our business and to use as working capital and for other general corporate purposes. Our board of directors will determine whether to pay dividends in the future based on conditions then existing, including our earnings, financial condition and capital requirements, the availability of third-party financing and the financial responsibility standards prescribed by ED, as well as any economic and other conditions that our board of directors may deem relevant. In addition, our ability to declare and pay any dividends is currently restricted under the credit agreement for our senior credit facilities.

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CAPITALIZATION

The following table sets forth our cash and cash equivalents and our capitalization as of December 31, 2003. No adjustments to the balance sheet to reflect this offering are shown because we will not be selling shares or receiving any of the proceeds from the sale of shares by the selling stockholders. You should read this information in conjunction with Management Discussion & Analysis of Financial Conditions and Results of Operations, Description of Capital Stock and our consolidated financial statements and the notes to those statements included elsewhere in this prospectus.

	As of December 31, 2003 (in millions) (unaudited)
Cash and cash equivalents:	$ 28.8
Debt:	
Revolving credit facility[(1)]	
Capital leases	0.2
Total debt	0.2
Shareholders equity:	
Common stock, $0.0001 par value per share, 100,000,000 shares authorized; 27,705,576 shares issued and outstanding	
Paid-in capital	107.9
Accumulated deficit	(76.4)
Total shareholders equity	31.5
Total capitalization	$ 31.7

(1) At December 31, 2003, we had available funds under our $30.0 million revolving credit facility in the approximate amount of $12.1 million. Availability of the revolving credit facility is reduced by the amount of outstanding letters of credit issued under the facility. As of December 31, 2003, we had letters of credit in an aggregate amount of $17.9 million outstanding under our revolving credit facility.

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SELECTED HISTORICAL FINANCIAL DATA

The following table sets forth our selected historical consolidated financial and operating data as of and for the periods indicated. You should read the selected financial data set forth below together with Management s Discussion and Analysis of Financial Condition and Results of Operations and our consolidated financial statements included elsewhere in this prospectus. The selected historical consolidated statement of operations data for each of the years in the three-year period ended September 30, 2003, and the selected historical consolidated balance sheet data as of September 30, 2002 and 2003 have been derived from our audited consolidated financial statements, which are included elsewhere in this prospectus. The selected historical consolidated statements of operations data for the fiscal years ended September 30, 1999 and 2000 and selected historical consolidated balance sheet data as of September 30, 1999, 2000 and 2001 have been derived from our audited consolidated financial statements not included in this prospectus. The selected historical consolidated statement of operations for the three months ended December 31, 2002 and 2003 and the selected historical consolidated balance sheet data as of December 31, 2003 have been derived from our unaudited historical consolidated financial statements, which are included elsewhere in this prospectus. The selected historical consolidated balance sheet as of December 31, 2002 has been derived from our unaudited interim consolidated financial statements not included in this prospectus. In our opinion, the unaudited interim consolidated financial statements have been prepared on the same basis as our audited consolidated financial statements and include all adjustments, consisting of only normal recurring adjustments, necessary for a fair presentation of the information set forth therein. The results for any interim period are not necessarily indicative of the results that may be expected for a full fiscal year.

	Year Ended September 30,					Three Months Ended December 31,	
	1999	2000	2001	2002	2003	2002	2003
	(dollars in thousands, except per share amounts)					(unaudited)	
Statement of Operations Data:							
Net revenues	$ 78,020	$ 92,079	$109,493	$144,372	$196,495	$45,374	$59,043
Operating expenses:							
Educational services and facilities	34,560	48,523	59,554	70,813	92,443	20,880	25,602
Selling, general and administrative	49,111	33,893	38,332	51,541	67,896	16,254	19,426
Total operating expenses	83,671	82,416	97,886	122,354	160,339	37,134	45,028
Income (loss) from operations:	(5,651)	9,663	11,607	22,018	36,156	8,240	14,015
Interest expense, net	10,582	11,877	10,674	6,254	3,658	1,092	790
Other expense (income)				847	(234)		752
Income (loss) from continuing operations and before income taxes	(16,233)	(2,214)	933	14,917	32,732	7,148	12,473
Income tax expense (benefit)	(5,609)	(431)	820	5,228	12,353	2,502	5,020
Income (loss) from continuing operations	(10,624)	(1,783)	113	9,689	20,379	4,646	7,453
Discontinued operations:							
Income (loss) from operations, net of taxes	1,677	(34,437)	(8,536)				
Loss on sale, net of taxes			(1,316)				
Net income (loss)	(8,947)	(36,220)	(9,739)	9,689	20,379	4,646	7,453
Preferred stock dividends	(914)	(1,166)	(1,166)	(2,872)	(6,413)	(1,145)	(776)
	$ (9,861)	$(37,386)	$ (10,905)	$ 6,817	$ 13,966	$ 3,501	$ 6,677

Net income (loss) available to common shareholders							

	Year Ended September 30,					Three Months Ended December 31,	
	1999	2000	2001	2002	2003	2002	2003
	(dollars in thousands, except per share amounts)					(unaudited)	
Income (loss) from continuing operations per share:							
Basic	$ (1.21)	$ (0.22)	$ (0.08)	$ 0.51	$ 1.03	$ 0.26	$ 0.43
Diluted	$ (1.21)	$ (0.22)	$ (0.08)	$ 0.44	$ 0.79	$ 0.18	$ 0.30
Weighted average shares (in thousands):							
Basic	9,527	13,432	13,402	13,402	13,543	13,402	15,439
Diluted	9,527	13,432	13,402	20,244	25,051	24,915	25,042
Other Data:							
Depreciation and amortization(1)	$ 2,917	$ 3,887	$ 4,532	$ 4,948	$ 6,382	$ 1,506	$ 2,095
Number of campuses	6	6	6	7	7	7	7
Average undergraduate enrollments	5,321	5,866	6,710	8,277	10,568	10,319	12,856
Balance Sheet Data:							
Cash and cash equivalents	$ 10,316	$ 3,326	$ 3,353	$ 13,554	$ 8,925	$ 24,790	$ 28,799
Current assets	$ 26,643	$ 21,051	$ 16,477	$ 29,278	$ 31,819	$ 39,016	$ 47,175
Working capital (deficit)(2)	$ 670	$ (12,987)	$ (29,187)	$ (14,577)	$ (29,240)	$ (10,924)	$ (13,038)
Total assets	$ 112,071	$ 68,845	$ 63,086	$ 76,886	$ 84,099	$ 84,826	$ 99,054
Total long-term debt	$ 115,885	$ 104,122	$ 97,336	$ 57,886	$ 53,476	$ 57,005	$ 11
Total debt(3)	$ 117,631	$ 109,294	$ 104,578	$ 60,902	$ 57,336	$ 60,273	$ 244
Redeemable convertible preferred stock	$ 17,155	$ 18,296	$ 19,414	$ 64,395	$ 47,161	$ 65,534	$
Total shareholders equity (deficit)	$ (54,675)	$ (92,071)	$ (102,976)	$ (96,159)	$ (83,152)	$ (92,656)	$ 31,477

(1) Depreciation and amortization includes deferred financing fees representing capitalized costs in connection with obtaining financing. Amortization of deferred financing fees was $0.5 million, $0.6 million, $0.6 million, $1.1 million and $0.5 million for the fiscal years ended September 30, 1999, 2000, 2001, 2002 and 2003, respectively, and $0.3 million and $0.1 million for the three months ended December 31, 2002 and 2003, respectively.

(2) Working capital (deficit) is defined as current assets less current liabilities.

(3) We adopted SFAS 150 Accounting for Certain Financial Instruments with Characteristics of both Liabilities and Equity, effective July 1, 2003. Accordingly, we reclassified as a liability the mandatory redeemable series A, series B and series C preferred stock that were outstanding until December 22, 2003, at which time all of such shares were either exchanged for shares of common stock or redeemed.

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MANAGEMENT S DISCUSSION AND ANALYSIS OF

FINANCIAL CONDITION AND RESULTS OF OPERATIONS

You should read the following discussion together with the financial statements and the related notes included elsewhere in this prospectus. This discussion contains forward-looking statements that are based on management s current expectations, estimates and projections about our business and operations. Our actual results may differ materially from those currently anticipated and expressed in such forward-looking statements as a result of a number of factors, including those we discuss under Risk Factors and elsewhere in this prospectus.

General

We are a leading provider of post-secondary education for students seeking careers as professional automotive, diesel, collision repair, motorcycle and marine technicians. We offer undergraduate degree, diploma or certificate programs at seven campuses across the United States, and manufacturer-sponsored advanced programs at 22 dedicated training centers. We have provided technical education for over 35 years.

Our revenues consist principally of student tuition and fees derived from the programs we provide and are presented as net revenues after reductions related to scholarships we sponsor and refunds for students who withdraw from our programs prior to specified dates. We recognize tuition revenue and fees ratably over the terms of the various programs we offer. We supplement our core revenues with additional revenues from sales of textbooks and program supplies, student housing provided by us and other revenues, all of which are recognized as sales occur or services are performed. In aggregate, these additional revenues represented less than 10% of our total net revenues in each fiscal year in the three-year period ended September 30, 2003. Tuition revenue and fees generally vary based on the average number of students enrolled and average tuition charge per program.

Average student enrollments vary depending on, among other factors, the number of (i) continuing students at the beginning of a fiscal period, (ii) new student enrollments during the fiscal period, (iii) students who have previously withdrawn but decide to re-enroll during the fiscal period, and (iv) graduations and withdrawals during the fiscal period. We believe that our average student enrollments are influenced by the number of graduating high school students, the attractiveness of our program offerings to high school graduates and potential adult students, the effectiveness of our marketing efforts, the depth of our industry relationships, the strength of employment markets and long term career prospects, the quality of our instructors and student services professionals, the persistence of our students, the length of our education programs, the availability of federal funding for our programs, the number of graduates of our programs who elect to attend the advanced training programs we offer and general economic conditions. Our introduction of additional program offerings at existing schools and establishment of new schools (either through acquisition or start-up) are expected to significantly influence our average student enrollment. Our average undergraduate student enrollments have grown at a compounded annual growth rate of 25.5% over the past three full fiscal years. This growth can largely be attributed to the demand for our graduates and the expansion of our capacity. We currently offer 38 start dates throughout the year in our various undergraduate programs. The number of start dates of advanced programs varies by the duration of those programs and the needs of the manufacturers who sponsor them.

Our tuition charges vary by type or length of our programs and the program level, such as undergraduate or advanced training. Tuition has increased by approximately 3% to 5% per annum in each fiscal year in the three-year period ended September 30, 2003. Tuition increases are generally consistent across our schools and programs, however, changes in operating costs may impact price increases at individual locations. We believe that we can continue to increase tuition as the demand for our graduates remains strong and tuition at other post-secondary institutions continues to rise, although any of those increases may be less than past increases.

Most students at our campuses rely on funds received under various government-sponsored student financial aid programs, predominantly Title IV Programs, to pay a substantial portion of their tuition and other education-related expenses. In our 2003 fiscal year, approximately 68% of our net revenues were derived from federal student financial aid programs.

We extend credit for tuition and fees to the majority of our students that are in attendance at our campuses. Our credit risk is mitigated through the students participation in federally funded financial aid programs unless students withdraw prior to the receipt by us of Title IV funds for those students. Any remaining tuition receivable is comprised of smaller individual amounts due from students across the United States.

We categorize our operating expenses as (i) educational services and facilities and (ii) selling, general and administrative.

Major components of educational services and facilities expenses include faculty compensation and benefits, compensation and benefits of other campus administration employees, facility rent, maintenance, utilities, depreciation and amortization of property and equipment used in the provision of educational services, royalties payable to licensors under our licensing arrangements and other costs directly associated with teaching our programs and providing educational services to our students.

Selling, general and administrative expenses include compensation and benefits of employees who are not directly associated with the provision of educational services (such as executive management, finance and central accounting, legal, human resources and business development), marketing and student enrollment expenses (including compensation and benefits of personnel employed in sales and marketing and student admissions), costs of professional services, bad debt expense, costs associated with the implementation and operation of our student management and reporting system, rent for our corporate headquarters, depreciation and amortization of property and equipment that is not used in the provision of educational services and other costs that are incidental to our operations. All marketing and student enrollment expenses are recognized in the period incurred. Costs related to the opening of new facilities, excluding related capital expenditures, are expensed in the period incurred.

Costs associated with the implementation of our student management and reporting system have increased over the last several years as we installed a new integrated information network that tracks inquiries from potential students and supports our student enrollment and processing of data as it relates to our student activities. We anticipate that we will need to further upgrade our student management and reporting system and expect additional costs will be incurred in connection with such an upgrade. We believe that the investment in our student management and reporting system has improved services to students and our ability to track student inquiries and may facilitate the integration of new schools into our operations, if and when new schools are opened or acquired.

Acquisitions

In January 1998, we acquired all of the assets of Clinton Harley Corporation and Clinton Education Group, Inc. for an aggregate of $26.3 million. Motorcycle Mechanics Institute and Marine Mechanics Institute (MMI) were operating divisions of Clinton Harley Corporation. As consideration for the MMI assets, we issued 3,673 shares of our series A preferred stock having a liquidation value of $1,000 per share, 1,422,450 shares of common stock and a subordinated note bearing interest at 13.5% in the principal amount of $2.0 million and maturing in January 2008, and paid $18.7 million in cash.

Recapitalization Transactions

Concurrent with the MMI acquisition, we also engaged in a recapitalization transaction with a group of investors assembled by The Jordan Company, LLC and with certain members of our management. Pursuant to the recapitalization agreement, we issued to the Jordan investors 7,505 shares of our series A preferred stock for net proceeds of $22.5 million, 4,763,250 shares of common stock and a subordinated note bearing interest at 13.5% in the principal amount of $15.4 million and maturing in January 2008. In addition, in exchange for the 107,396,436 shares of common stock held by the management group, we issued to the management group 2,318,550 shares of common stock, 4,067 shares of our series B preferred stock having a liquidation value of $1,000 per share, and subordinated notes in the aggregate principal amount of $2.0 million bearing interest at 13.5% and maturing in January 2008. In addition, we redeemed 101,682,024 shares of common stock for approximately $21.9 million. The redemption also included the contribution of assets held by an employee stock ownership plan to another qualified plan. The $47.8 million recapitalization transaction provided liquidity for certain stockholders as well as funds for the MMI acquisition and for our continued growth.

In April 2002, we effected another recapitalization transaction with a number of investors, including Charlesbank Capital Partners, LLC and Worldwide Training Group, LLC, whereby we issued 2,357 shares of series D convertible preferred stock for aggregate proceeds of $45.5 million. Series D preferred stock converts automatically into shares of our common stock upon the occurrence of certain events, including the consummation of an initial public offering.

In December 2003, we sold 3,250,000 million shares of our common stock in an initial public offering for approximately $59.0 million in net cash proceeds, after deducting underwriting commissions and offering expenses of approximately $7.6 million. In conjunction with our initial public offering, we effected a 4,350 to one stock split. Certain stockholders sold 5,375,000 shares of our common stock in the initial public offering. In addition, our outstanding series D preferred stock automatically converted to common stock upon the consummation of our initial public offering. Accordingly, the approximately 2,357 outstanding shares of series D preferred stock representing a liquidation value of $45.5 million were converted into an equivalent number of shares of our common stock which, upon giving effect to the stock split, amounted to 10,253,797 shares of common stock. Also in December 2003, we consummated an exchange offer pursuant to which we offered to exchange the then outstanding shares of our series A, series B and series C preferred stock for shares of our common stock at an exchange price per share equal to our initial public offering price of $20.50. An aggregate of 6,499 shares of series A, series B and series C preferred stock, representing a liquidation value of approximately $6.5 million, were presented for exchange and we issued an aggregate of 317,006 shares of our common stock in connection with that exchange. We used $25.5 million of the net proceeds from the initial public offering to redeem all of the outstanding shares of series A, series B and series C preferred stock that were not exchanged for shares of common stock and to pay all the accrued and unpaid dividends on all the series of our preferred stock, whether or not exchanged.

Critical Accounting Policies and Estimates

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

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

Revenue recognition. Net revenues consist primarily of student tuition and fees derived from the programs we provide after reductions made for scholarships we sponsor. Tuition and fee revenue is recognized on a pro-rata (straight-line) basis over the term of the course or program offered. If a student withdraws from a program prior to a specified date, any paid but unearned tuition is refunded. Approximately 97% of our net revenues for the three months ended December 31, 2003 and 96% of our

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net revenues for the year ended September 30, 2003 consisted of tuition. Our net revenues vary from period to period in conjunction with our average student population. The majority of our undergraduate programs are typically designed to be completed in 12 to 18 months and our advanced training programs range from 8 to 27 weeks in duration. We supplement our core revenues with sales of textbooks and program supplies, student housing provided by us and other revenues. Sales of textbooks and program supplies, revenue related to student housing and other revenue are each recognized as sales occur or services are performed. Deferred tuition represents the excess of tuition payments received as compared to tuition earned and is reflected as a current liability in our consolidated financial statements because it is expected to be earned within the following twelve-month period.

Allowance for uncollectible accounts. We maintain an allowance for uncollectible accounts for estimated losses resulting from the inability, failure or refusal of our students to make required payments. We offer a variety of payment plans to help students pay that portion of their education expenses not covered by financial aid programs which are unsecured and not guaranteed. Management analyzes accounts receivable, historical percentages of uncollectible accounts, customer credit worthiness, when applicable, and changes in payment history when evaluating the adequacy of the allowance for uncollectible accounts. We use an internal group of collectors, augmented by third party collectors as deemed appropriate, in our collection efforts. Although we believe that our reserves are adequate, if the financial condition of our students deteriorates, resulting in an impairment of their ability to make payments, or if we underestimate the allowances required, additional allowances may be necessary, which will result in increased selling, general and administrative expenses in the period such determination is made.

Healthcare and workers compensation costs. Claims and insurance costs which primarily relate to health insurance and workers compensation are accrued using current information and, in the case of healthcare costs, future estimates provided by consultants to reasonably measure current cost incurred but not invoiced for services provided. Although we believe our estimated liability recorded for healthcare and workers compensation costs are reasonable, actual results could differ and require adjustment of the recorded balance.

Tool sets. We accrue the estimated cost of promotional tool sets offered to students at the time of enrollment and provided at a future date based upon satisfaction of certain criteria, including completion of certain course work. We accrue these costs based upon current student information and an estimate of the number of students that will complete the requisite coursework. Although we believe our estimated liability for tool sets is reasonable, actual results could differ and require adjustment of the recorded balance.

Long-lived assets. We record our long-lived assets, such as property and equipment, at cost. We review the carrying value of our long-lived assets for possible impairment whenever events or changes in circumstances indicate that the carrying amount of assets may not be recoverable in accordance with the provisions of Statement of Financial Accounting Standards, or SFAS, No. 144, Accounting for the Impairment or Disposal of Long-Lived Assets. We evaluate these assets to determine if their current recorded value is impaired 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 we determine that an asset s carrying value is impaired, we will record a write-down of the carrying value of the identified asset and charge the impairment as an operating expense in the period in which the determination is made. Although we believe that the carrying value of our long-lived assets are appropriately stated, changes in strategy or market conditions or significant technological developments could significantly impact these judgments and require adjustments to recorded asset balances.

Goodwill. We assess the impairment of goodwill in accordance with SFAS No. 142, Goodwill and Other Intangible Assets. Accordingly, we test our goodwill for impairment annually, or whenever events or changes in circumstances indicate an impairment may have occurred, by comparing its fair value to its carrying 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, including

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changes that restrict the activities of the acquired business, and a variety of other circumstances. If we determine that an impairment has occurred, we are 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. Goodwill represents a significant portion of our total assets. At December 31, 2003, goodwill represented approximately 20.8% of our total assets, or $20.6 million, and resulted from our acquisition of the parent company of MMI in January of 1998. Although we believe goodwill is appropriately stated in our consolidated financial statements, changes in strategy or market conditions could significantly impact these judgments and require an adjustment to the recorded balance.

Stock-based compensation. We account for stock-based employee compensation arrangements in accordance with the provisions of Accounting Principles Board (APB) Opinion No. 25, Accounting for Stock Issued to Employees, and related Interpretations, and comply with the disclosure provisions of SFAS No. 123, Accounting for Stock-Based Compensation. Several companies recently elected to change their accounting policies and record the fair value of options as an expense. We currently are not required to record stock-based compensation charges if the employee stock option exercise price or restricted stock purchase price equals or exceeds the deemed fair value of our common stock at the grant date. However, we understand that discussions of potential changes to APB Opinion No. 25 and SFAS No. 123 standards are ongoing and that the parties responsible for authoritative guidance in this area may require changes to the applicable accounting standards. If we had estimated the fair value of the options on the date of grant using the Black-Scholes pricing model and then amortized this estimated fair value over the vesting period of the options, our net income (loss) would have been adversely affected, as shown in the table below.

	Year Ended September 30,			Three Months Ended December 31,	
	2001	2002	2003	2002	2003
	(dollars in thousands, except per share amounts)			(unaudited)	
Net income (loss) available to common shareholders as reported	$(10,905)	$6,817	$13,966	$3,501	$6,677
Add: Stock-based compensation expense included in reported net income, net of taxes			39		16
Deduct: Total stock based employee compensation expense determined using the fair value based method, net of taxes	(1)	(72)	(163)	(32)	(110)
Net income (loss) pro forma	$(10,906)	$6,745	$13,842	$3,469	$6,583
Earnings per share basic as reported	$ (0.81)	$ 0.51	$ 1.03	$ 0.26	$ 0.43
Earnings per share diluted as reported	$ (0.81)	$ 0.44	$ 0.79	$ 0.18	$ 0.30
Earnings per share basic pro forma	$ (0.81)	$ 0.50	$ 1.02	$ 0.26	$ 0.42
Earnings per share diluted pro forma	$ (0.81)	$ 0.44	$ 0.78	$ 0.18	$ 0.30

Accounting for income taxes. In preparing our consolidated financial statements, we assess the likelihood that our deferred tax assets will be realized from future taxable income. We establish a valuation allowance if we determine that it is more likely than not that some portion or all of the net deferred tax assets will not be realized. Changes in the valuation allowance are included in our statement of operations as a provision for or benefit from income taxes. We exercise significant judgment in determining our provisions for income taxes, our deferred tax assets and liabilities and our future taxable income for purposes of assessing our ability to utilize any future tax benefit from our deferred tax assets. Although we believe that our tax estimates are reasonable, the ultimate tax determination involves significant judgments that could become subject to audit by tax authorities in the ordinary course of business.

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As of December 31, 2003, we had a valuation allowance of $16.2 million to reduce our deferred tax assets to an amount that management believes is more likely than not realizable. The valuation allowance primarily relates to a deferred tax asset arising from a capital loss carryforward from the sale of a discontinued business. In addition, we had deferred tax assets comprised primarily of compensation and related costs and accrued expenses associated with tool purchases. We use significant judgment in determining the amounts of those accrued expenses reflected in the underlying financial statements. Should we incur capital gains in the future, we would be able to realize all or part of the capital loss carryforward against which we have applied the valuation allowance. In that event, our current income tax expense would be reduced or our income tax benefits would be increased, resulting in an increase in net income or a reduction in net loss.

Results of Operations

The following table sets forth selected statements of operations data as a percentage of net revenues for each of the periods indicated.

	Year Ended September 30,			Three Months Ended December 31,	
	2001	2002	2003	2002	2003
				(unaudited)	
Net revenues	100.0%	100.0%	100.0%	100.0%	100.0%
Operating expenses:					
Educational services and facilities	54.4%	49.0%	47.0%	46.0%	43.4%
Selling, general and administrative	35.0%	35.7%	34.6%	35.8%	32.9%
Total operating expenses	89.4%	84.7%	81.6%	81.8%	76.3%
Income from operations	10.6%	15.3%	18.4%	18.2%	23.7%
Interest (income)	(0.4)%	(0.3)%	(0.2)%	(0.2)%	0.0%
Interest expense	10.1%	4.7%	2.1%	2.7%	1.3%
Other (income) expense	0.0%	0.6%	(0.2)%	0.0%	1.3%
Total other expense	9.7%	5.0%	1.7%	2.5%	2.6%
Income from continuing operations before income taxes	0.9%	10.3%	16.7%	15.7%	21.1%
Income tax expense	0.8%	3.6%	6.3%	5.5%	8.5%
Income from continuing operations	0.1%	6.7%	10.4%	10.2%	12.6%

Three Months Ended December 31, 2003 Compared to Three Months Ended December 31, 2002

Net revenues. Our net revenues for the three months ended December 31, 2003 were $59.0 million, representing an increase of $13.7 million, or 30.1%, as compared to net revenues of $45.4 million for the three months ended December 31, 2002. This increase was primarily due to a 24.6% increase in the average undergraduate full-time student enrollment, which increased to 12,856 for the three months ended December 31, 2003 as compared to 10,319 for the three months ended December 31, 2002.

Educational services and facilities expenses. Our educational services and facilities expenses for the three months ended December 31, 2003 were $25.6 million, representing an increase of $4.7 million, or 22.6%, as compared to educational services and facilities expenses of $20.9 million for the three months ended December 31, 2002. This increase was primarily due to incremental education expenses related to higher average student enrollments, offset partially by a $0.8 million reduction in estimated tool set expenses. Our results for the three months ended December 31, 2003 also include an additional charge of approximately $0.3 million for depreciation related to a change in the estimated useful life of the leasehold improvement at a campus that we intend to relocate within the next 9 to 12 months to provide additional

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capacity. Educational services and facilities expenses as a percentage of net revenues decreased to 43.4% for the three months ended December 31, 2003 as compared to 46.0% for the three months ended December 31, 2002. The decrease in educational services and facilities expenses as a percentage of net revenues is attributable to operating efficiencies resulting from increased average student enrollments at our existing facilities and a favorable adjustment of our estimated tool set expense.

Selling, general and administrative expenses. Our selling, general and administrative expenses for the three months ended December 31, 2003 were $19.4 million, an increase of $3.2 million, or 19.5%, as compared to selling, general and administrative expenses of $16.3 million for the three months ended December 31, 2002. This increase was due to an incremental increase in marketing and student enrollment expenses and an increase in administrative expenses resulting from a need to further establish the infrastructure necessary to support our current and future operations. This increase also includes approximately $0.8 million in costs associated with the start-up of our new Pennsylvania campus. Selling, general and administrative expenses as a percentage of revenue decreased to 32.9% for the three months ended December 31, 2003 from 35.8% for the three months ended December 31, 2002. The decrease in selling, general and administrative expenses as a percentage of revenue is attributable to efficiencies of scale.

Interest expense. Our interest expense for the three months ended December 31, 2003 was $0.8 million, representing a decrease of $0.4 million, or 32.7%, compared to interest expense of $1.2 million for the three months ended December 31, 2002. This decrease was primarily due to a reduction in the average debt balance outstanding and a decrease in the average interest rate paid on our indebtedness to 3.91% for the three months ended December 31, 2003 from 5.82% for the three months ended December 31, 2002.

Other expenses. Our other expenses for the three months ended December 31, 2003 represent the write-off of unamortized deferred financing costs of approximately $0.8 million related to the early repayment of the term loans under our senior credit facilities. We repaid the term loans under our senior credit facilities during December 2003 with a portion of the net proceeds of our initial public offering.

Income taxes. Our provision for income taxes for the three months ended December 31, 2003 was $5.0 million, or 40.2% of pretax income, compared to $2.5 million, or 35.0% of pretax income, for the three months ended December 31, 2002. The lower effective rate for the three months ended December 31, 2002 is primarily attributable to the increase of our deferred tax assets as a result of applying a higher federal statutory rate.

Income from continuing operations. As a result of the foregoing, we reported income from continuing operations for the three months ended December 31, 2003 of $7.5 million, as compared to income from continuing operations of $4.6 million for the three months ended December 31, 2002.

Fiscal Year Ended September 30, 2003 Compared to Fiscal Year Ended September 30, 2002

Net revenues. Our net revenues for the year ended September 30, 2003 were $196.5 million, representing an increase of $52.1 million, or 36.1%, as compared to net revenues of $144.4 million for the year ended September 30, 2002. This increase was primarily due to a 27.7% increase in the average undergraduate full-time student enrollment during the year ended September 30, 2003 and an increase in the average tuition charge per student resulting from tuition increases of between 3% and 5%, depending on the program, and a shift in the mix of average student enrollments toward higher priced programs, particularly following the introduction of our higher-priced NASCAR programs at our new NTI facility opened in July 2002. For the year ended September 30, 2003, the average undergraduate full-time student enrollment was 10,568, compared with 8,277 for the year ended September 30, 2002. We have been able to accommodate the increase in student enrollments by improving the utilization of our existing facilities, opening our new NTI campus in July 2002 and expanding many of our existing facilities.

Educational services and facilities expenses. Our educational services and facilities expenses for the year ended September 30, 2003 were $92.4 million, representing an increase of $21.6 million, or 30.5%, as

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compared to educational services and facilities expenses of $70.8 million for the year ended September 30, 2002. This increase was primarily due to incremental education expenses related to higher average student enrollments, including additional costs of $7.0 million incurred in connection with the start-up and operation of our new campus that we opened in July 2002. Educational services and facilities expenses as a percentage of net revenues decreased to 47.0% of net revenues for the year ended September 30, 2003 from 49.0% for the year ended September 30, 2002, primarily due to cost and operating efficiencies resulting from increased enrollments at our existing facilities, partially offset by the costs attributable to the opening and operation of the new NTI campus.

Selling, general and administrative expenses. Our selling, general and administrative expenses for the year ended September 30, 2003 were $67.9 million, representing an increase of $16.4 million, or 31.7%, as compared to selling, general and administrative expenses of $51.5 million for the year ended September 30, 2002. This increase was due in large measure to the incremental increase in marketing and student enrollment expenses in the 2003 period to support any future growth in student enrollments, which includes additional costs of $3.9 million relating to the new NTI campus that we opened in July 2002. Selling, general and administrative expenses as a percentage of net revenues decreased to 34.6% of net revenues in the year ended September 30, 2003 compared to 35.7% of net revenues in the year ended September 30, 2002. This decrease is primarily due to operating efficiencies resulting from increased enrollments at our existing facilities, partly offset by the costs attributable to the opening of our new campus.

Interest expense. Our interest expense for the year ended September 30, 2003 was $4.1 million, representing a decrease of $2.6 million, or 38.9%, compared to interest expense of $6.8 million for the year ended September 30, 2002. This decrease was due primarily to a reduction in the average debt balance outstanding and a decrease in the average interest rate paid on our indebtedness to 6.1% for the year ended September 30, 2003 from 6.5% for the year ended September 30, 2002. The reduction in the average debt balance outstanding was principally due to the repayment of $23.4 million of 13.5% subordinated notes and repayment of $17.9 million of long term debt under our existing senior credit facilities with proceeds received from the issuance of our series D convertible preferred stock in April 2002, as well as scheduled repayments under the senior credit facilities and repayment of $15.0 million of long-term debt under our existing senior credit facilities with available cash on hand during July 2003. We also repaid approximately $7.0 million of a subordinated convertible promissory note at a 10% discount in August 2003. The decrease in the average rate of interest we paid on our indebtedness was primarily attributable to the repayment of the 13.5% subordinated notes that carried a higher fixed interest rate, decreases in the LIBOR rates and a reduction in the applicable interest margin under our senior credit facilities as a result of our improved financial condition and the amendment of our senior credit facilities.

Other expenses. Our other expenses for the year ended September 30, 2002 represent the write-off of unamortized deferred financing costs of approximately $1.0 million as a result of the amendment of our senior credit facilities in April 2002.

Income taxes. Our provision for income taxes for the year ended September 30, 2003 was $12.4 million, or 37.7% of pretax income, compared to $5.2 million, or 35.0% of pretax income, for the year ended September 30, 2002. The increase in the effective rate is primarily attributable to higher state taxes for the year ended September 30, 2003, as all available state net operating loss carryforwards were utilized in the year ended September 30, 2002. In addition, a higher federal statutory rate applied to the year ended September 30, 2003, as well as an increase in our state tax rates that primarily impacted deferred tax items for the year ended September 30, 2003.

Income from continuing operations. As a result of the foregoing, we reported income from continuing operations for the year ended September 30, 2003 of $20.4 million, as compared to income from continuing operations of $9.7 million for the year ended September 30, 2002.

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Fiscal Year Ended September 30, 2002 Compared to Fiscal Year Ended September 30, 2001

Net revenues. Our net revenues for the fiscal year ended September 30, 2002 were $144.4 million, representing an increase of $34.9 million, or 31.9%, as compared to net revenues of $109.5 million for the fiscal year ended September 30, 2001. This increase was primarily due to a 23.4% increase in the average undergraduate full-time student population and an increase in the average tuition charge per student resulting from tuition increases of between 3% and 5%, depending on the program, and a modest shift in the mix of enrollments toward higher priced programs. For the fiscal year ended September 30, 2002, our average undergraduate full-time student enrollment was 8,277, compared with 6,710 for the fiscal year ended September 30, 2001. We have been able to accommodate the increase in student enrollments by improving the utilization of our existing facilities and opening a new campus in July 2002, as well as expanding our existing facilities.

Educational services and facilities expenses. Our educational services and facilities expenses for the fiscal year ended September 30, 2002 were $70.8 million, representing an increase of $11.3 million, or 18.9%, compared to educational services and facilities expenses of $59.6 million for the fiscal year ended September 30, 2001. This increase was primarily due to incremental education expenses related to higher average student enrollments and additional costs of $1.7 million incurred in connection with the start-up and operation of our new campus that was opened in July 2002. Educational services and facilities expenses as a percentage of net revenues decreased to 49.0% of net revenues for the fiscal year ended September 30, 2002 from 54.4% for the fiscal year ended September 30, 2001. This decrease was due primarily to cost and operating efficiencies resulting from improved utilization of our existing facilities.

Selling, general and administrative expenses. Our selling, general and administrative expenses for the fiscal year ended September 30, 2002 were $51.5 million, representing an increase of $13.2 million, or 34.5%, as compared to selling, general and administrative expenses of $38.3 million for the fiscal year ended September 30, 2001. This increase is primarily attributable to an incremental increase in marketing and student enrollment expenses related to higher student enrollments, an increase in administrative expense resulting from investments to further develop our corporate infrastructure and an increase in bad debt expense and professional services costs. In fiscal 2002, we made further investments in our corporate infrastructure by adding additional management personnel to accommodate our growth during that period as well as by increasing the number of our education representatives to support future growth. Selling, general and administrative expenses for the fiscal year ended September 30, 2002 also include $0.6 million related to the write-off of a related party note receivable and $1.0 million in professional services costs incurred in connection with our recapitalization completed in April 2002. Selling, general and administrative expenses as a percentage of net revenues increased to 35.7% of net revenues for the fiscal year ended September 30, 2002 from 35.0% in the fiscal year ended September 30, 2001.

Interest expense. Our interest expense for the fiscal year ended September 30, 2002 was $6.8 million, representing a decrease of $4.4 million, or 39.2%, as compared to interest expense of $11.1 million for the fiscal year ended September 30, 2001. This decrease was primarily due to a decrease in the average debt balance outstanding during the 2002 period and a decrease in the average rate of interest we paid on our indebtedness to 6.5% for the fiscal year ended September 30, 2002 from 10.0% for the fiscal year ended September 30, 2001. The decrease in our average debt balance outstanding was primarily due to the repayment of $23.4 million of our 13.5% subordinated notes and repayment of $17.9 million of long term debt under our existing senior credit facilities and a portion of the term loans outstanding under our senior credit facilities concurrently with our recapitalization completed in April 2002, as well as scheduled repayments under the senior credit facilities. The decrease in the average rate of interest we paid on our indebtedness was primarily attributable to the repayment of the 13.5% subordinated notes that carried a higher fixed interest rate and the decrease in the interest rate margins applicable on borrowings under our senior credit facilities following their amendment.

Other expenses. Our other expenses for the fiscal year ended September 30, 2002 include the write-off of unamortized deferred financing costs that we were no longer able to amortize as a result of the amendment of our senior credit facilities in April 2002 of approximately $1.0 million which was partially offset by a gain on the sale of miscellaneous securities.

Income taxes. Our provision for income taxes for the fiscal year ended September 30, 2002 was $5.2 million, or 35.0% of pretax income, compared to $0.8 million, or 87.9% of pre-tax income for the fiscal year ended September 30, 2001. This decrease is primarily due to lower state income taxes as a percentage of net income and non-deductible items representing a lower percentage of pre-tax income for the fiscal year ended September 30, 2002 as compared to the fiscal year ended September 30, 2001.

Income from continuing operations. As a result of the foregoing, we reported income from continuing operations of $9.7 million for the fiscal year ended September 30, 2002, compared to $0.1 million for the fiscal year ended September 30, 2001.

Discontinued Operations

In June 1998, we acquired National Technology Transfer, Inc., or NTT, and Performance Training Associates, or PTA, a wholly owned subsidiary of NTT at the date of acquisition. NTT provides intensive training seminars to technicians in sectors similar to the sectors that we serve. PTA organized lecture training seminars in markets similar to those in which NTT is active. The acquisition of NTT and PTA was completed for approximately $50.2 million, comprised of $37.8 million we borrowed under our senior credit facilities to finance the acquisition, our issuance of a $5.2 million subordinated convertible promissory note payable to the former NTT and PTA shareholder, our issuance of a $5.4 million 60-day note payable to the former NTT and PTA shareholder and $1.8 million in transaction costs. PTA was subsequently merged into NTT. In September 2001, we sold our interest in NTT for a nominal consideration to certain of our stockholders. The NTT business has been reflected in our consolidated financial statements included in this prospectus as a discontinued operation. Losses related to the operations (net of taxes) of NTT were $34.4 million and $8.5 million in our fiscal years ended September 30, 2000 and 2001, respectively.

Liquidity and Capital Resources

Liquidity

During the last three fiscal years and the three months ended December 31, 2003, we financed our operating activities and capital expenditures principally from net cash provided by operating activities.

A majority of our net revenues are derived from Title IV Programs. Federal regulations dictate the timing of disbursements of funds under Title IV Programs. Students must apply for a new loan for each academic year (thirty-week periods). Loan funds are generally provided by lenders in two disbursements for each academic year. The first disbursement is usually received 30 days after the start of a student s academic year and the second disbursement is typically received at the beginning of the sixteenth week from the start of the student s academic year. Certain types of grants and other funding are not subject to a 30-day delay. The majority of our undergraduate programs are typically designed to be completed in 12 to 18 months. These factors, together with the timing of our students beginning their programs, affect our operating cash flow.

Net cash provided by operating activities was attributable primarily to net income adjusted for depreciation and changes in working capital items. Net cash provided by operating activities during the three months ended December 31, 2003 was $21.3 million, an increase of $8.1 million, or 61.0%, from $13.2 million during the three months ended December 31, 2002. This increase was primarily attributable to a decrease in accounts receivable of approximately $5.8 million and an increase in deferred revenue of approximately $4.4 million resulting from the timing of tuition funding, as well as an increase in net income of approximately $2.8 million. The combined increase in net cash of approximately $10.2 million as a result of changes in accounts receivable and deferred revenue represents an increase of approximately $7.2 million as compared to net cash provided from those items in the three months ended December 31, 2002 and was primarily due to an increase in the average enrollment of undergraduate full-time students.

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The increase in net cash provided by operating activities as a result of the factors mentioned in the two preceding sentences was partially offset by our use of cash related to the timing of payments of facility rents, annual liability insurance payments and reduction of accounts payable.

Net cash provided by operating activities during the year ended September 30, 2003 was $36.4 million, an increase of approximately $16.0 million, or 77.9%, from $20.5 million during the fiscal year ended September 30, 2002. This increase was primarily due to an increase in net income in the 2003 period, an increase in accounts payable, an increase in accrued expenses related to the purchase of supplies and equipment as a result of the increase in average student enrollments, an increase in accrued salaries and related benefits and an increase related to accrued health care benefits from a self-insured benefit plan.

Net cash provided by operating activities during the fiscal year ended September 30, 2002 was $20.5 million, an increase of $9.7 million, or 90.2%, from $10.8 million during the fiscal year ended September 30, 2001. This increase was primarily due to the increase in net income in the 2001 period, an increase in deferred tuition revenue and accrued salaries and related benefits partially offset by an increase in receivables and prepaid expenses.

Net cash provided by operating activities was $10.8 million during the fiscal year ended September 30, 2001, an increase of $5.0 million, or 87.0%, from $5.8 million during the fiscal year ended September 30, 2000. This increase was primarily due to the increase in net income in the 2001 period, as well as an increase in accrued salaries and benefits, including accrued bonuses, partially offset by an increase in deferred income taxes primarily related to our arrangement with Snap-on Tools.

Capital Expenditures

Our cash used in investing activities is primarily related to the purchase of property and equipment. Our capital expenditures primarily result from the addition of new and the expansion of existing facilities, investment in tools, classroom technology and other equipment that supports our program offerings and our student management and reporting system. Net cash used in investing activities was $5.5 million, $5.8 million and $11.7 million for the fiscal years ended September 30, 2001, 2002, 2003, respectively, and was $1.3 million and $3.5 million for the three months ended December 31, 2002 and 2003, respectively. Capital expenditures are primarily related to ongoing replacements of equipment related to student training as well as costs associated with expansion of new and existing campuses. In addition, capital improvements consist of upgrades of various systems used throughout our company and, therefore, are reflected as selling, general and administrative expenses. Capital expenditures are expected to increase as we upgrade and expand current equipment and facilities or open new facilities to meet increased student enrollments. We expect to be able to fund these capital expenditures with cash generated from operations.

The following is a summary of our current material capital expenditure commitments:

In September 2003, we entered into a lease for approximately 28,000 square feet of space near our Glendale Heights location. This additional space will support expected student growth. We currently anticipate that we will incur capital expenditures of approximately $0.5 million for tenant improvements and that we will occupy the building in the summer of 2004.

In October 2003, we entered into a contract with a third party to build a 24,000 square foot building at our Glendale Heights location. This additional space will support expected student growth and manufacturer-specific training. As of March 31, 2004, we had incurred approximately $1.8 million in tenant improvement costs and we currently anticipate incurring additional tenant improvement costs in the amount of $0.3 million in the third quarter of our 2004 fiscal year. We took occupancy of the new building in March 2004.

In December 2003, we entered into a lease for approximately 160,000 square feet of space for our new Exton, Pennsylvania campus. We currently anticipate that we will incur capital expenditures of approximately $2.2 million through September 30, 2004 to equip the classrooms, labs and other

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campus operations at this location. This new campus is currently scheduled to open in the fourth quarter of our 2004 fiscal year.

Also in February 2004, we entered into a build-to-suit lease with a third party for the construction of a campus facility to which we will relocate our existing Rancho Cucamonga campus. The new campus facility will consist of approximately 190,000 square feet, an increase of approximately 107,000 square feet as compared to the existing campus. We anticipate that we will occupy the new campus facility in the first quarter of our 2005 fiscal year.

We are currently in negotiations to enter into a long-term lease for a facility near our Orlando, Florida location where we will expand our program offerings to include an automotive technology program. We currently estimate that we will incur capital expenditures of approximately $1.0 million in connection with the opening of the facility. We anticipate that the new automotive technology facility will be available for occupancy in the fall of 2004.

Furthermore, our strategy includes considering strategic acquisitions in the future. To the extent that potential acquisitions are large enough to require financing beyond cash from operations and available borrowings under our senior credit facilities, we may incur additional debt, resulting in increased interest expense.

We lease all of our facilities. We expect to make future payments on existing leases from cash provided from operations.

Debt Service

Our total debt was $60.9 million as of September 30, 2002, $57.3 million as of September 30, 2003 and $0.2 million as of December 31, 2003.

The following schedule sets forth our long-term debt obligations as of September 30, 2001, 2002 and 2003 and December 31, 2003.

	Long-Term Debt			
	September 30,			December 31,
	2001	2002	2003	2003
	(in thousands)			
Revolving credit facility[1]	$	$	$	$
Term A loan facility	14,188	19,150	16,950	
Term B loan facility	54,966	29,850	14,550	
6.0% Mandatory redeemable series A preferred stock[2]			15,202	
6.0% Mandatory redeemable series B preferred stock[2]			5,531	
6.0% Mandatory redeemable series C preferred stock[2]			4,729	
13.5% Subordinated promissory notes payable to shareholders and related parties	23,400			
6.6% Subordinated promissory note payable to shareholder and related party	4,000	4,000		
8.0% Subordinated convertible promissory note payable	6,616	7,011		
Capital leases	1,408	891	374	244
Total debt	104,578	60,902	57,336	244
Less current portion	7,242	3,016	3,860	233
Total long-term debt	$ 97,336	$ 57,886	$ 53,476	$ 11

(1) At December 31, 2003, we had available funds under our $30.0 million revolving credit facility in the approximate amount of $12.1 million. Availability of the revolving credit facility is reduced by the amount of outstanding

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letters of credit issued under the facility. As of December 31, 2003, we had letters of credit in an aggregate amount of $17.9 million outstanding under our revolving credit facility.

(2) We adopted SFAS 150, Accounting for Certain Financial Instruments with Characteristics of both Liabilities and Equity, effective July 1, 2003. Accordingly, we reclassified as a liability the mandatory redeemable series A, series B and series C preferred stock. All of this stock was either exchanged for shares of common stock or redeemed in December 2003.

At December 31, 2003, the revolving credit facility bore interest at a rate equal to LIBOR plus 2.50% to 3.50% or, at our option, the alternate base rate (as defined in the revolving credit facility) plus 1.25% to 2.25%, in each case depending on our leverage ratio during the applicable interest period. In addition to paying interest on outstanding borrowings under the revolving credit facility, we are required to pay a commitment fee to the lenders under the revolving credit facility with respect to the unused commitments at a rate equal to 0.5% per year and to the issuers of letters of credit under our revolving credit facility a risk participation fee equal to 2.5% per year with respect the amount of such letters of credit. The revolving credit facility matures on March 31, 2007.

Our revolving credit facility is available for working capital, capital expenditures and other general corporate purposes and to support letters of credit issued under the facility. The amount available under the revolving credit facility is reduced by the amount of outstanding letters of credit. As a result of our failure to meet the standards of financial responsibility prescribed by the U.S. Department of Education, or ED, primarily due to our level of indebtedness, we have posted a letter of credit issued under our revolving credit facility in favor of ED in the amount of $6.4 million as of September 30, 2002, $7.6 million as of September 30, 2003 and $9.9 million as of December 31, 2003. In addition, we have posted letters of credit securing surety bonds issued on behalf of our schools and education representatives with various state agencies that regulate our activities. The aggregate amount of those letters of credit was $8.0 million as of December 31, 2003. At December 31, 2003 and March 31, 2004, we had no borrowings under the revolving credit facility.

Our revolving credit facility contains a number of covenants. The facility, among other things, restricts our ability to: incur additional indebtedness, grant liens or other security interests, make certain investments, become liable for contingent obligations, make specified restricted payments, including dividend or other distributions relating to shares of any class of our stock, dispose of assets or stock of our subsidiaries, or make capital expenditures above a specified limit. Our capital expenditure covenant limits our permitted capital expenditures to $30 million per year, as adjusted by up to $10 million of the preceding fiscal year s unutilized permitted capital expenditures.

Our revolving credit facility also requires us to comply with specified financial ratios and tests, including minimum EBITDA requirements, fixed charge coverage and interest coverage ratios and maximum leverage ratios, which become more stringent over time as follows:

We are required to have EBITDA (as defined under our revolving credit facility), measured over a trailing twelve month period, of not less than specified amounts, which amounts increase from $18.75 million for the period ended December 31, 2003 to $25.0 million during the period ending December 31, 2008 and thereafter;

We are required to maintain a fixed charge coverage ratio of 1.02-to-1.0 at December 31, 2003, which increases to 1.09-to-1.0 at June 30, 2005 and to 1.10-to-1.0 thereafter. Our fixed charge coverage ratio is defined as the ratio of our cash flow for the trailing twelve month period to the sum of interest expense for the period;

We are required to maintain a total interest coverage ratio, defined as the ratio of interest expense for the trailing twelve month period divided by EBITDA (as defined under our revolving credit facility) for the same period of at least 3.0-to-1.0 during the term of the credit facilities; and

The leverage covenant requires that our ratio of total indebtedness on a consolidated basis to EBITDA (as defined under our revolving credit facility) for the previous four quarters not exceed a specified ratio, which is 3.06-to-1.0 at December 31, 2003 and which decreases as follows: 3.0-to-

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1.0 at March 31, 2004, 2.93-to-1.0 at June 30, 2004, 2.87-to-1.0 at September 30, 2004, 2.81-to-1.0 at December 31, 2004, 2.75-to-1.0 at March 31, 2005, 2.50-to-1.0 at June 30, 2005, 2.00-to-1.0 at June 30, 2006, and 1.75-to-1.0 at June 30, 2007.

Furthermore, our revolving credit facility contains customary events of default as well as an event of default in the event that any of our institutions loses any accreditation necessary for Title IV Program eligibility, or the ability of any such institution to participate in Title IV Programs is cancelled, and such loss or cancellation is not cured within a specified period.

In April 2002, we issued shares of our series D convertible preferred stock to a number of investors, including Charlesbank Capital Partners, LLC, and Worldwide Training Group, LLC, and, in connection with that issuance, received net proceeds of approximately $42.0 million. We used the net proceeds from the issuance of our series D convertible preferred stock to repay $23.4 million of our 13.5% subordinated promissory notes and to prepay approximately $17.9 million of borrowings under our senior credit facilities. In connection with our April 2002 recapitalization, we amended our senior credit facilities to increase the availability under the revolving loan facility and the limit on the letters of credit that may be issued under that facility.

In September 2002, we received a waiver from our lender related to exceeding an indebtedness threshold contained in the agreement.

In July 2003, we prepaid without penalty, with available cash on hand, $15.0 million of borrowings under our term loan B facility, which had been a part of our senior credit facilities.

In August 2003, we retired at a 10% discount a subordinated convertible promissory note having a principal amount of approximately $7.0 million using available cash on hand of $6.3 million.

Also in August 2003, we repaid in full, including all accrued interest, a promissory note in the principal sum of $4.0 million that we had issued in September 1997 in favor of Whites Family Company, LLC, an entity controlled by John C. White. This note bore interest at approximately 6.6% and was due on or before September 2023. Immediately following this repayment, Whites Family Company, LLC remitted to us approximately $4.0 million in satisfaction of the principal amount of, and accrued interest on, a subscription note receivable bearing interest at approximately 6.1%.

In October 2003, we received a waiver from our lender related to a non-financial covenant for financial reporting which we have met subsequently. As of March 31, 2004, we were in compliance with our covenants under our revolving credit facility.

In December 2003, we received net proceeds from our initial public offering of approximately $59.0 million. We used $31.5 million of these proceeds to repay the outstanding balance of the term loans under the senior credit facilities and approximately $25.5 million of these proceeds to redeem all outstanding shares of series A, series B and series C preferred stock that were not exchanged for shares of our common stock and pay all accrued and unpaid dividends on all the series of our preferred stock, whether or not exchanged.

Dividends

In September 2003, we paid a dividend in the aggregate of $5.0 million to our common stockholders and the holders of our series D preferred stock. We do not expect to pay any dividends on our common stock for the foreseeable future.

Future Liquidity Sources

Based on our current level of operations and anticipated growth, we believe that our cash flow from operations and other available sources of liquidity, including borrowings under the revolving credit facility, will provide adequate funds for ongoing operations, expansion to new locations, planned capital expenditures and debt service for the next 12 to 18 months.

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Contractual Obligations

The following table sets forth, as of December 31, 2003, the aggregate amounts of our significant contractual obligations and commitments with definitive payment terms that will require significant cash outlays in the future.

	Payments Due by Period				
	Total	Less than 1 year	2-3 years	4-5 years	After 5 years
			(in thousands)		
Capital leases	$ 244	$ 233	$ 11	$	$
Operating leases[1]	197,984	12,526	28,379	27,783	129,296
Other long-term obligations					
Total contractual cash obligations	198,228	12,759	28,390	27,783	129,296
Standby letters of credit[2]	17,900	17,900			
Total contractual commitments	$216,128	$30,659	$28,390	$27,783	$129,296

(1) Minimum rental commitments.

(2) Consists of a letter of credit in the amount of $9.9 million issued under our $30 million revolving credit facility in favor of ED as a result of our failure to meet the standards of financial responsibility prescribed by ED and letters of credit in the amount of $8.0 million issued under the revolving credit facility to secure surety bonds issued on behalf of our schools and education representatives with various state agencies that regulate our activities.

Related Party Transactions

We exchanged for shares of our common stock or redeemed for cash, at the holder s election, our series A preferred stock, series B preferred stock and series C preferred stock in connection with our initial public offering in December 2003. We used $25.5 million of the net proceeds from that public offering to redeem all outstanding shares of our series A preferred stock, series B preferred stock and series C preferred stock that were not exchanged for shares of common stock and to pay all the accrued and unpaid dividends on all the series of our preferred stock, whether or not exchanged. The following table shows the amounts that our officers and directors received in connection with such redemption and payment of dividends.

	Preferred Stock Redemption Amount
	(in thousands)
Robert Hartman	$3,663
John White	$1,558
Kimberly McWaters	$ 50
David Miller	$ 4
Roger Speer	$ 15

We lease some of our properties from entities controlled by John C. White, our Chief Strategic Planning Officer and Vice Chairman of our board of directors. A portion of the property comprising our Orlando location is occupied pursuant to a lease with the John C. and Cynthia L. White 1989 Family Trust, with the lease term expiring on August 19, 2022. The annual base lease payments for the first year under this lease total approximately $326,000, with annual adjustments based on the higher of (i) an amount equal to 4% of the total annual rent for the immediately preceding year or (ii) the percentage of increase in the Consumer Price Index. Another portion of the property comprising our Orlando location is occupied pursuant to a lease with Delegates LLC, an entity controlled by the White Family Trust, with the lease term expiring on July 1, 2016. The beneficiaries of this trust are Mr. White s children, and the trustee of the trust is not related to Mr. White. Annual base lease payments under this lease are approximately $680,000, with annual adjustments based on the higher of (i) an amount equal to 4% of the total annual rent for the immediately preceding year or (ii) the percentage of increase in the Consumer Price Index. Additionally, we lease two of our Phoenix properties under one lease from City Park LLC, a successor in interest of 2844 West Deer Valley L.L.C. and in which the John C. and Cynthia L. White 1989 Family Trust holds a 25% interest. The lease expires on February 28, 2015, and the annual base lease payments under this lease, as amended, are approximately $463,000, with annual adjustments based on the higher of (i) an amount equal to 4% of the total annual rent for the immediately preceding year or (ii) the percentage of increase in the Consumer Price Index. The table below sets forth the total payments that we made in fiscal 2001, 2002 and 2003 under these leases:

	City Park LLC	John C. and Cynthia L. White 1989 Family Trust	Delegates LLC
Fiscal 2001	$447,795	$299,597	$404,912
Fiscal 2002	$462,567	$364,508	$644,715
Fiscal 2003	$495,040	$399,901	$796,015

We believe that the rental rates under these leases approximate the fair market rental value of the properties at the time the lease agreements were negotiated.

For a description of additional related party transactions, see Certain Relationships and Related Transactions.

Seasonality

Our net revenues and operating results normally fluctuate as a result of seasonal variations in our business, principally due to changes in total student population. Student population varies as a result of new student enrollments, graduations and student attrition. Historically, our schools have had lower student populations in our third fiscal quarter than in the remainder of our fiscal year because fewer students are enrolled during the summer months. Our expenses, however, do not vary significantly with changes in student population and net revenues and, as a result, such expenses do not fluctuate significantly on a quarterly basis. The second and third quarters of our fiscal year ended September 30, 2003 were favorably impacted by an increase in student population at our NTI campus, which resulted in increased revenue and operational efficiencies during those two quarters. We expect quarterly fluctuations in operating results to continue as a result of seasonal enrollment patterns. Such patterns may change, however, as a result of acquisitions, new school openings, new program introductions and increased enrollments of adult students. In addition, our net revenues for the first fiscal quarter are adversely affected by the fact that we do not recognize revenue during the calendar year-end holiday break, which falls primarily in that quarter.

Year Ended September 30,

(dollars in thousands)

	Net Revenues			
	2002		2003	
	Amount	Percent	Amount	Percent
	(unaudited)			
Three Month Period Ending				
December 31, (previous year)	$ 34,405	23.8%	$ 45,374	23.1%
March 31,	35,483	24.6	47,358	24.1
June 30,	35,540	24.6	48,910	24.9
September 30,	38,944	27.0	54,853	27.9
	$144,372	100.0%	$196,495	100.0%

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	Income from Operations			
	2002		2003	
	Amount	Percent	Amount	Percent
	(unaudited)			
Three Month Period Ending				
December 31, (previous year)	$ 6,249	28.4%	$ 8,240	22.8%
March 31,	6,096	27.7	9,482	26.2
June 30,	4,766	21.6	9,171	25.4
September 30,	4,907	22.3	9,263	25.6
	$22,018	100.0%	$36,156	100.0%

Quantitative and Qualitative Disclosures about Market Risk

Historically, our principal exposure to market risk relates to changes in interest rates. However, we repaid substantially all of our long-term debt in December 2003 with a portion of the net proceeds of our initial public offering. Consequently, we believe that we currently have minimal financial exposure to market risk.

Effect of Inflation

To date, inflation has not had a significant effect on our operations.

Recent Accounting Pronouncements

In June 2002, the FASB issued SFAS No. 146, Accounting for Costs Associated with Exit or Disposal Activities. SFAS No. 146 addresses financial accounting and reporting for costs associated with exit or disposal activities and replaces Emerging Issues Task Force (EITF) Issue No. 94-3, Liability Recognition for Certain Employee Termination Benefits and Other Costs to Exit an Activity (including Certain Costs Incurred in a Restructuring). SFAS No. 146 requires that a liability for a cost associated with an exit or disposal activity be recognized when the liability is incurred and should be initially measured at fair value. Under EITF Issue No. 94-3, a liability for such costs is recognized as of the date of an entity s commitment to an exit plan. The provisions of SFAS No. 146 are effective for exit or disposal activities that we initiated after December 31, 2002. Our adoption of SFAS No. 146 did not have a material effect on our financial condition or results of operations.

In November 2002, the FASB issued Financial Interpretation No. (FIN) 45, Guarantor s Accounting and Disclosure Requirements for Guarantees, Including Indirect Guarantees of Indebtedness of Others. FIN 45 requires certain guarantees to be recorded at fair value and also requires a guarantor to make certain disclosures regarding guarantees. FIN 45 s initial recognition and initial measurement provisions are applicable on a prospective basis to guarantees issued or modified after December 31, 2002. Our adoption of this Interpretation did not have a material impact on our consolidated financial statements or disclosures.

In December 2002, the FASB issued SFAS No. 148, Accounting for Stock-Based Compensation Transition and Disclosure. This statement amends SFAS No. 123, Accounting for Stock-Based Compensation An Amendment of SFAS No. 123. Although SFAS 148 does not require use of the fair value method of accounting for stock-based employee compensation, it does provide alternative methods of transition. It also amends the disclosure provisions of SFAS 123 and APB Opinion No. 28, Interim Financial Reporting, to require disclosure in the summary of significant accounting policies the effects of an entity s accounting policy with respect to stock-based employee compensation on reported net income and earnings per share in annual and interim financial statements. SFAS 148 s amendment of the transition and annual disclosure requirements is effective for fiscal years ending after December 15, 2002. The amendment of disclosure requirements of APB Opinion No. 28 is effective for interim periods beginning after December 15, 2002. Our adoption of SFAS No. 148 has resulted in expanded disclosure to include the effect of stock-based compensation in interim reporting.

In April 2003, the FASB issued SFAS No. 149, Amendment of Statement 133 on Derivative Instruments and Hedging Activities. SFAS No. 149 amends and clarifies the accounting guidance on derivative instruments (including certain derivative instruments embedded in other contracts) and hedging activities that fall within the scope of SFAS No. 133, Accounting for Derivative Instruments and Hedging Activities. SFAS No. 149 is effective prospectively for contracts entered into or modified after June 30, 2003, with certain exceptions, and for hedging relationships designated after June 30, 2003. Our adoption of SFAS No. 149 did not have a material impact on our consolidated financial statements or disclosures.

In May 2003, the FASB issued SFAS No. 150, Accounting for Certain Financial Instruments with Characteristics of both Liabilities and Equity. SFAS No. 150 changes the accounting and disclosure requirements for certain financial instruments that, under previous guidance, could be classified as equity. The guidance in SFAS No. 150 is generally effective for all financial instruments entered into or modified after May 31, 2003 and is otherwise effective at the beginning of the first interim period beginning after June 15, 2003. Upon adoption of SFAS No. 150, effective July 1, 2003, we classified as a liability our then-outstanding redeemable series A, series B, and series C preferred stock with a combined carrying value of approximately $25.5 million. Additionally, effective July 1, 2003 the dividends on these securities were included as a component of interest expense instead of preferred stock dividends in the consolidated statement of operations. SFAS No. 150 prohibits restatements of financial statements for periods prior to adoption and, accordingly, these changes were made prospectively.

In December 2003, the FASB issued FIN 46R, Consolidation of Variable Interest Entities, an Interpretation of ARB 51, replacing FIN 46, of the same title, that was issued in January 2003. FIN 46R provides guidance on when certain entities should be consolidated or the interests in those entities should be disclosed by enterprises that do not control them through majority voting interest. Under FIN 46R, entities are required to be consolidated by enterprises that lack majority voting interest when equity investors of those entities have insignificant capital at risk or they lack voting rights, the obligation to absorb expected losses, or the right to receive expected returns. Entities identified with these characteristics are called variable interest entities, or VIEs, and the interests that enterprises have in these entities are called variable interests. These interests can derive from certain guarantees, leases, loans or other arrangements that result in risks and rewards that are disproportionate to the voting interests in the entities.

The provisions of FIN 46R must be applied for VIEs created after January 31, 2003 and for variable interests in entities commonly referred to as special purpose entities. For all other VIEs, implementation is required by March 31, 2004. Our adoption of FIN 46R did not have a material impact on our consolidated financial statements or disclosures.

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BUSINESS

General

We are a leading provider of post-secondary education for students seeking careers as professional automotive, diesel, collision repair, motorcycle and marine technicians, as measured by total undergraduate enrollment and number of graduates. We offer undergraduate degree, diploma and certificate programs at seven campuses across the United States, and manufacturer-sponsored advanced programs at 22 dedicated training centers. For the twelve months ended September 30, 2003 and the three months ended December 31, 2003, our average undergraduate enrollments were 10,568 and 12,856 full-time students, respectively. We have provided technical education for over 35 years.

We work closely with leading original equipment manufacturers (OEMs) in the automotive, diesel, motorcycle and marine industries to understand their needs for qualified service professionals. By staying current on the equipment and technology employed by OEMs, we are able to continuously refine and expand our programs and curricula. We believe that our industry-oriented educational philosophy and national presence have enabled us to develop valuable industry relationships that provide us with a significant competitive strength and support our market leadership. We are a primary, and often the sole, provider of manufacturer-based-training programs pursuant to written agreements with various OEMs whereby we provide technician training programs using their equipment and vehicles. These OEMs include Audi of America; American Honda Motor Co., Inc.; BMW of North America, LLC; Ford Motor Co.; International Truck and Engine Corp.; Jaguar Cars, Inc.; Mercedes-Benz USA, LLC; Mercury Marine; Porsche Cars of North America, Inc.; Toyota Motor Sales, U.S.A., Inc.; Volkswagen of America, Inc.; Volvo Cars of North America, Inc.; and Volvo Penta of the Americas, Inc.

Through our campus-based undergraduate programs, we offer specialized technical education under the banner of several well-known brands, including Universal Technical Institute (UTI), Motorcycle Mechanics Institute and Marine Mechanics Institute (collectively, MMI) and NASCAR Technical Institute (NTI). The majority of our undergraduate programs are designed to be completed in 12 to 18 months and culminate in an associate s degree, diploma or certificate, depending on the program and campus. Tuition ranges from approximately $18,000 to $33,000 per program, primarily depending on the nature and length of the program. All of our undergraduate programs are accredited and eligible for federal Title IV financial aid. Upon completion of one of our automotive or diesel undergraduate programs, qualifying students have the opportunity to enroll in one of the manufacturer-sponsored advanced training programs that we offer. These training programs are manufacturer-specific and are offered in a facility in which the OEM supplies the cars, equipment, specialty tools and curriculum. Tuition for these advanced training programs is paid by each participating OEM in return for a commitment by the student to work for a dealer of that OEM upon graduation. We also provide continuing education and retraining to experienced technicians at our customers sites or in our training facilities.

Immediately after this offering, our executive officers, directors and principal and selling stockholders listed in the section entitled Principal and Selling Stockholders will, in the aggregate, directly or indirectly hold approximately 47.3% of our outstanding shares of common stock. Accordingly, in the event that all or some of these stockholders decided to act in concert, they would have the ability to significantly influence the outcomes of various matters requiring the vote of stockholders.

Our History

We were founded in Phoenix, Arizona in 1965 to educate students in automotive services. Since our inception, we have expanded our programs with additional curricula and have opened new campuses, growing internally and through acquisitions. To address the needs of corporate clients, we started providing continuing education and training for technicians in 1980. In 1983, we opened our Houston, Texas campus, and in 1988 we opened our Glendale Heights, Illinois campus outside of Chicago. In 1998, we opened a campus in Rancho Cucamonga, California.

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In January 1998, we acquired all of the assets of the parent company of MMI, which expanded our program offerings to include motorcycle and marine technician training. From its inception in 1973, MMI grew from a small operator of regional training centers to an educational institution with campus locations in Phoenix, Arizona and Orlando, Florida and relationships with leading OEMs in the motorcycle and marine industries. Concurrent with this acquisition, in order to provide liquidity for certain stockholders and capital for the acquisition of MMI, and to fund growth, we recapitalized our company with the assistance of The Jordan Company, LLC. As part of the recapitalization, we sold preferred and common equity to a group of investors assembled by The Jordan Company, consisting of private equity investors, individual investors employed by or serving as consultants to The Jordan Company and certain members of our management team. In April 2002, in order to reduce our outstanding debt, we sold convertible preferred equity to a group of investors, including Charlesbank Capital Partners, LLC and Worldwide Training Group, LLC, to reduce our outstanding debt and provide capital for growth.

In July 1999, we entered into a licensing arrangement with the National Association for Stock Car Auto Racing (NASCAR) to build NTI. NTI is the nation s first NASCAR-licensed technical training school to combine general automotive and NASCAR technology. The school is an extension of NASCAR s Officially Licensed Automotive Aftermarket Program. Opened in July 2002, NTI is located in Mooresville, North Carolina.

In December 2003, we completed the initial public offering of our common stock in which we sold 3,250,000 shares and certain of our stockholders sold 5,375,000 shares at a public offering price of $20.50 per share. We also completed an exchange offer whereby we offered to exchange shares of our series A, series B and series C preferred stock for common stock at an exchange rate based on our public offering price of $20.50 per common share. We received net proceeds of approximately $59.0 million in our initial public offering. We used $25.5 million of the net proceeds from the initial public offering to redeem the shares of series A, series B and series C preferred stock that were not exchanged in the exchange offer, to pay accrued and unpaid dividends on all our series of preferred stock, whether or not exchanged, to repay the outstanding balance of the term loans under our senior credit facilities and for working capital.

Industry

Based on estimates by the U.S. Department of Education, National Center for Education Statistics, expenditures for post-secondary education exceeded $250 billion in the 2002-2003 academic year. While public and private four-year colleges currently represent a majority of this spending, a fast-growing segment of the post-secondary education market is the field of technical, career-oriented training. According to the Bureau of Labor Statistics, occupations requiring a post-secondary vocational credential or an academic degree, which accounted for 29% of all jobs in 2000, will account for 42% of total job growth from 2000 to 2010. To address the need for career-focused technical curricula, post-secondary institutions are increasingly offering programs in automotive technology, health sciences and information technology. According to data collected by the U.S. Department of Labor, there will be approximately 55,000 new job openings each year from 2000 to 2010 in the fields we serve.

In recent years, there has been an increasing shortage of qualified service technicians in the automotive, diesel, collision repair, motorcycle and marine industries. This shortage primarily is being driven by the rapid technological advancement in these industries and an aging workforce. For example, an automobile can have up to 42 microprocessors to meet the need for sophisticated engine controls, comply with fuel emissions standards, perform advanced diagnostic analysis, enhance safety features (such as anti-lock brakes or automatic airbags) and provide certain comfort and convenience features (such as global positioning systems or sophisticated climate controls). Aspiring technicians must have sophisticated technical skills and be able to adapt to continually changing technologies, making it increasingly challenging for them to be self-trained. Furthermore, technicians working for particular dealers of such manufacturers need additional training to familiarize themselves with technologies that are proprietary to those manufacturers. In addition to creating employment requirements for new technicians, these technological changes have increased the need for continuing training for working technicians.

As a result of these trends, we believe that the market for qualified service technicians is large and growing. In 2000, the U.S. Department of Labor estimated that there were approximately 840,000 working automotive technicians in the United States, and that this number was expected to increase by 18% from 2000 to 2010. Other 2000 estimates provided by the U.S. Department of Labor indicate that, from 2000 to 2010, the number of technicians in the other industries we serve, including diesel repair, collision repair, motorcycle repair and marine repair, are expected to increase by 14%, 10%, 9% and 9%, respectively. Furthermore, in 2003, the National Auto Dealers Association cited a shortage of approximately 60,000 automotive technicians.

The rapidly changing technologies in the fields that we serve dictate that manufacturers and dealers continually invest in their training programs. The recurring need and resultant expense of training technicians has led many manufacturers to outsource training that was formerly conducted internally. Traditionally, manufacturers and dealers spend a significant amount of time recruiting and training entry-level technicians. Automotive manufacturers typically look to their dealerships to recruit and screen applicants; however, local dealerships may lack recruiting resources and expertise, making it difficult for them to attract qualified candidates. By outsourcing their recruiting and training, manufacturers and dealers can better focus on their core activities. In addition, by hiring technicians directly from our graduating classes, manufacturers and dealers are able to benefit from our extensive national recruiting effort and employ a qualified technician at a lower overall cost than they could through their own recruitment and training efforts. Given our national presence and manufacturer support, we believe that we are in a position to provide these training services on a cost-effective basis.

Competitive Strengths

We believe that we are well positioned to capitalize on these market opportunities as a result of the following competitive strengths:

Industry-Oriented Business Model. We work extensively with leading automotive, diesel, collision repair, motorcycle and marine equipment manufacturers, dealers and suppliers to determine the present and future needs of the end-markets our graduates enter and to tailor our educational programs to best serve those constituents. As a result, we believe that our graduates have the opportunity to work for the most desirable employers in their chosen fields due to the quality of their education and their commitment to careers as professional service technicians. In turn, we believe that the higher quality employment opportunities available to our graduates drive increased enrollments at our campuses and training centers.

Unique Manufacturer-Based Programs. We work closely with OEMs to develop brand-specific education programs. Participating manufacturers typically assist us in developing course content and curricula, and provide us with equipment, specialty tools and parts at no charge. In addition, the manufacturer pays the full tuition of each student enrolled in our advanced training programs. Our collaboration with OEMs enables us to provide highly specialized education to our students, resulting in improved employment opportunities and the potential for higher wages for graduates. Pursuant to written agreements, we provide such programs for Audi of America; American Honda Motor Co., Inc.; BMW of North America, LLC; Ford Motor Co.; International Truck and Engine Corp.; Jaguar Cars, Inc.; Mercedes-Benz USA, LLC; Mercury Marine; Porsche Cars of North America, Inc.; Toyota Motor Sales, U.S.A., Inc.; Volkswagen of America, Inc.; Volvo Cars of North America, Inc.; and Volvo Penta of the Americas, Inc.

Industry Relationships. In addition to our curriculum-based relationships with OEMs, we develop and maintain a variety of complementary relationships with parts and tools suppliers, enthusiast organizations and other participants in the industries we serve. Currently, these relationships include, among others, an agreement with Snap-on Tools pursuant to which we have agreed to use Snap-on Tools in the training of our students and have granted Snap-on Tools exclusive access to our campuses for display advertising, and a licensing agreement with the National Association for Stock Car Auto Racing (NASCAR) to use its name for our school in Mooresville, North Carolina

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and to become its exclusive education provider for automotive technicians. These relationships provide us with a variety of strategic and financial benefits, including equipment sponsorship, new product support, licensing and branding opportunities, and selected financial sponsorship for our campuses and students. We believe that these relationships improve the quality of our educational programs, reduce our investment cost of equipping classrooms, enable us to expand the scope of our programs, strengthen our graduate placements and enhance our overall image within the industry.

National Presence. Since our founding in 1965, we have grown our business and expanded our campus platform to establish a national presence. Through the UTI, MMI and NTI brands, our undergraduate campuses and advanced training centers currently provide us with local representation covering several geographic regions across the United States. Supporting our campuses, we maintain a national recruiting network of approximately 200 education representatives who are able to identify, advise and enroll students from all 50 states. Consequently, unlike competitors with single- or regional-campus models, we are able to effectively reach a national pool of potential students and to provide qualified professionals to our various end-markets on a broad geographic basis.

Superior Recruiting Strategy. We employ an integrated marketing and recruitment strategy that we believe enables us to effectively target and recruit both traditional post-secondary students and working adults. Our field-based education representatives provide a local presence to prospective students at high schools across the country. Additionally, our campus-based education representatives respond to media-driven inquiries from adults across the United States who are interested in returning to school. We support our education representatives recruiting efforts with a national multimedia marketing strategy that includes television, enthusiast magazines, direct mail and the Internet.

Operating Strategy

Our goal is to maintain and strengthen our role as a leading provider of technical education services. We intend to pursue the following strategies to attain this goal:

Open New Campuses. We continue to identify new markets that we believe will complement our established campus network and support further growth. We believe that there are a number of local markets, in regions where we do not currently have a campus, with both pools of interested prospective students and career opportunities for graduates. By establishing campuses in these locations, we believe that we will be able to supply skilled technicians to local employers, as well as provide educational opportunities for students otherwise unwilling to relocate to acquire a post-secondary education. Additional locations will also provide us with an opportunity to expand our relationships with OEMs by providing a graduate population with greater geographic reach. We are developing a campus in Exton, Pennsylvania where we will initially offer programs in automotive technology. Our Pennsylvania campus is currently scheduled to open in the fourth quarter of our 2004 fiscal year.

Increase Recruitment and Marketing. We plan to hire additional education representatives to enhance our recruitment coverage in territories where we are currently active in recruiting students and to expand into new regions and cities. In our 2003 fiscal year, our field-based education representatives made approximately 9,000 high school visits and approximately 414,000 student contacts. In addition, during the same period, our campus-based education representatives addressed approximately 270,000 inquiries from prospective students. We believe that additional education representatives, combined with increased marketing spending, will increase our national presence and enable us to better target the prospective student pool from which we recruit.

Expand Program Offerings. As the industries we serve become more technologically advanced, the requisite training for qualified technicians continues to increase. We continually work with our industry customers to expand and adapt our course offerings to meet their needs for skilled technicians. We also intend to increase the number of specialized or manufacturer-specific electives we offer in our undergraduate programs, such as our Hot Rod U high performance series and our Ford-certified elective. Additionally, we intend to expand the program offerings at our Orlando, Florida campus to include an automotive technology program.

Seek Additional Industry Relationships. We actively seek to develop new relationships with leading OEMs, dealership networks and other industry participants. Securing such relationships will enable us to further drive undergraduate enrollment growth, diversify funding sources and expand the scope and increase the number of the programs we offer. We believe that these relationships are also valuable to our industry partners since our programs provide them with a steady supply of highly trained service technicians and are a cost-effective alternative to in-house training. Therefore, we believe that these relationships will also provide us additional incremental revenue opportunities from retraining OEMs existing employees.

Consider Strategic Acquisitions. We may selectively consider acquisition opportunities that, among other factors, would complement our program offerings, benefit from our expertise and scale in marketing and administration and could be integrated into our existing operations.

Schools and Programs

Through our campus-based school system, we offer specialized technical education programs under the banner of several well-known brands, including Universal Technical Institute (UTI), Motorcycle Mechanics Institute and Marine Mechanics Institute (collectively, MMI) and NASCAR Technical Institute (NTI). The majority of our undergraduate programs are designed to be completed in 12 to 18 months and culminate in an associate s degree, diploma or certificate, depending on the program and campus. Tuition ranges from approximately $18,000 to $33,000 per program, primarily depending on the nature and length of the program. All of our undergraduate programs are accredited and eligible for federal Title IV financial aid. Upon completion of one of our automotive or diesel undergraduate programs, qualifying students have the opportunity to enroll in one of our advanced, manufacturer-specific training programs. These programs are offered in facilities in which OEMs supply the vehicles, equipment, specialty tools and curricula. Tuition for the advanced training programs is paid by each participating OEM in return for a commitment by the student to work for a dealer of that OEM upon graduation. We also provide continuing education and retraining to experienced technicians.

Our undergraduate schools and programs are summarized in the following table:

School	Location	Date Opened	Principal Programs
UTI	Phoenix, Arizona	1965	Automotive; Diesel & Industrial; Automotive/ Diesel; Automotive/ Diesel & Industrial
UTI	Houston, Texas	1983	Automotive; Diesel & Industrial; Automotive/ Diesel; Automotive/ Diesel & Industrial; Collision Repair and Refinishing
UTI	Glendale Heights, Illinois	1988	Automotive; Diesel & Industrial; Automotive/ Diesel; Automotive/ Diesel & Industrial
UTI	Rancho Cucamonga, California	1998	Automotive
UTI	Exton, Pennsylvania	2004	Automotive(1)
MMI	Phoenix, Arizona	1973	Motorcycle
MMI	Orlando, Florida	1986	Motorcycle; Marine; Automotive(2)
NTI	Mooresville, North Carolina	2002	Automotive with NASCAR

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(1) This campus is currently scheduled to open in the fourth quarter of our 2004 fiscal year.

(2) We have received regulatory approval to expand the program offerings at our Orlando, Florida campus to include an automotive technology program. We are currently in negotiations to enter into a long-term lease agreement for a facility that will accommodate this program. We anticipate that the new facility for the automotive program will be available for occupancy in the fall of 2004.

Universal Technical Institute (UTI)

UTI is one of the few private, post-secondary schools in the United States to offer automotive, diesel & industrial, and collision repair and refinishing programs that are master certified by the National Automotive Technicians Education Foundation (NATEF), a division of the Institute for Automotive Service Excellence (ASE). All UTI programs are accredited and culminate in an associate s degree or diploma, depending on the program and campus. Students also have the option to enhance their core program through the Ford Accelerated Credential Training (FACT) Elective, a Ford-specific program that allows them to become Ford-certified technicians.

Automotive Technology. Established in 1965, the Automotive Technology program is designed to teach students how to diagnose, service and repair automobiles. The program ranges from 48 to 78 weeks in duration, and tuition ranges from $20,150 to $32,900. Graduates of this program are qualified to work as entry-level service technicians in automotive repair facilities or automotive dealer service departments.

Diesel & Industrial Technology. Established in 1968, the Diesel & Industrial Technology program is designed to teach students how to diagnose, service and repair diesel systems and industrial equipment. The program is 45 weeks in duration and tuition ranges from $19,100 to $19,700. Graduates of this program are qualified to work as entry-level service technicians in medium and heavy truck facilities, truck dealerships, or in service and repair facilities for marine diesel engines and equipment utilized in various industrial applications, including materials handling, construction, transport refrigeration or farming.

Automotive/Diesel Technology. Established in 1970, the Automotive/ Diesel Technology program is designed to teach students how to diagnose, service and repair automobiles and diesel systems. The program ranges from 66 to 81 weeks in duration and tuition ranges from approximately $24,500 to $30,800. Graduates of this program typically can work as entry-level service technicians in automotive repair facilities, automotive dealer service departments, diesel engine repair facilities, medium and heavy truck facilities or truck dealerships.

Automotive/Diesel & Industrial Technology. Established in 1970, the Automotive/ Diesel & Industrial Technology program is designed to teach students how to diagnose, service and repair automobiles, diesel systems and industrial equipment. The program ranges from 72 to 87 weeks in duration and tuition ranges from $25,600 to $31,900. Graduates of this program are qualified to work as entry-level service technicians in automotive repair facilities, automotive dealer service departments, diesel engine repair facilities, medium and heavy truck facilities, truck dealerships, or in service and repair facilities for marine diesel engines and equipment utilized in various industrial applications, including material handling, construction, transport refrigeration or farming.

Collision Repair and Refinishing Technology (CRRT). Established in 1999, the CRRT program teaches students how to repair non-structural and structural automobile damage as well as how to prepare cost estimates on all phases of repair and refinishing. The program is from 51 to 57 weeks in duration and tuition ranges from $21,350 to $22,900. Graduates of this program are qualified to work as entry-level service technicians at OEM dealerships and independent repair facilities.

Motorcycle Mechanics Institute and Marine Mechanics Institute (collectively, MMI)

Motorcycle. Established in 1973, this MMI program is designed to teach students how to diagnose, service and repair motorcycles and all-terrain vehicles. The program ranges from 57 to

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81 weeks in duration and tuition ranges from $17,750 to $24,300. Graduates of this program are qualified to work as entry-level service technicians in motorcycle dealerships and independent repair facilities. MMI is supported by all five major motorcycle manufacturers. We have a written agreement with American Honda Motor Co., Inc. and oral understandings with American Suzuki Motor Corp., Harley-Davidson Motor Co., Kawasaki Motors Corp., U.S.A. and Yamaha Motor Corp., USA. These motorcycle manufacturers support us through their endorsement of our curriculum content, assisting our course development, equipment and product donation, and instructor training. Our oral understandings with these manufacturers may be terminated without cause by either party at any time. We estimate that MMI commands over 80% market share in the entry-level motorcycle technician training industry.

Marine. Established in 1986, this MMI program is designed to teach students how to diagnose, service and repair boats and personal watercraft. The program is 60 weeks in duration and tuition is approximately $20,700. Graduates of this program are qualified to work as entry-level service technicians for marine dealerships and independent repair shops, as well as for marinas, boat yards and yacht clubs.

NASCAR Technical Institute (NTI)

Established in 2002, NTI offers the same type of automotive training as UTI does, but with additional NASCAR-specific courses. In addition to the training received in our Automotive Technology program, students are able to learn first-hand on NASCAR engines and equipment and to learn specific skills required for entry-level positions in NASCAR-related career opportunities. The program ranges from 57 to 73 weeks in duration and tuition ranges from $25,100 to $31,200. Similar to graduates of the Automotive Technology program, NTI graduates are qualified to work as entry-level service technicians in automotive repair facilities or automotive dealer service departments. A small percentage of these graduates may have the opportunity to work on NASCAR technician teams.

Manufacturer-Sponsored Programs

Advanced Training Programs. Pursuant to written agreements, we offer manufacturer-specific advanced training programs for the following companies: Audi of America; BMW of North America, LLC; International Truck and Engine Corp.; Jaguar Cars, Inc.; Porsche Cars of North America, Inc.; Volkswagen of America, Inc.; Volvo Cars of North America, Inc.; and Volvo Penta of the Americas, Inc.

Audi and Volkswagen. We have a written agreement with Audi of America and Volkswagen of America, Inc. whereby we provide training programs using tools, equipment and vehicles provided by Audi and Volkswagen. This agreement expires on December 31, 2006 and may be terminated for cause by either party.

BMW. We have a written agreement with BMW of North America, LLC whereby we provide training programs, using tools, equipment and vehicles provided by BMW. This agreement expires on December 31, 2004, and may be terminated for cause by either party. This agreement is not exclusive, though, for the duration of its term, BMW may not enter into a similar agreement with any other institution that would conduct such program within 100 miles of an existing UTI program; and we may not provide manufacturer-specific training for any other automotive manufacturer at our BMW training facilities.

International Truck. We have a written agreement with International Truck and Engine Corp. whereby we provide training programs using tools, equipment and vehicles provided by International Truck. This agreement expires on December 31, 2005 and may be terminated without cause by either party upon 180 days written notice.

Jaguar. We have a written agreement with Jaguar Cars, Inc. whereby we provide training programs using tools, equipment and vehicles provided by Jaguar. This agreement expires on

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May 29, 2004 and may be terminated for cause by either party. This agreement is not exclusive, though Jaguar may not enter into a similar agreement with any other institution that would conduct a program within 100 miles of an existing UTI program. We are currently in discussions with respect to the renewal of this agreement.

Porsche. We have a written agreement with Porsche Cars of North America, Inc. whereby we provide training programs at a Porsche training center in Atlanta, Georgia, using tools, equipment and vehicles provided by Porsche. This agreement expires on August 31, 2005, is exclusive of all other institutions and may be terminated without cause by Porsche upon 30 days written notice.

Volvo. We have a written agreement with Volvo Cars of North America, Inc. whereby we conduct Volvo s Service Automotive Factory Education (SAFE) program training at our training centers in Glendale Heights, Illinois and Phoenix, Arizona using training and course materials approved by Volvo and training vehicles and tools provided by Volvo. This agreement expires on October 31, 2006 and may be terminated by Volvo prior to the expiration date, provided that Volvo would compensate us for all ongoing SAFE classes at the time of such early termination.

Volvo Penta. We have a written agreement with Volvo Penta of the Americas, Inc. whereby we provide training programs using tools, equipment and marine engines provided by Volvo Penta. This agreement expires on October 31, 2004 and may be terminated without cause by either party upon 90 days written notice.

These programs are intended to offer in-depth instruction on specific manufacturers products, qualifying a graduate for employment with a dealer seeking highly specialized, entry-level technicians with brand-specific skills. The programs range from 8 to 27 weeks in duration, and tuition, which generally ranges from $5,000 to $8,200, is paid by the manufacturer. The manufacturer also supplies equipment for the courses.

Retraining. Technicians in all of the industries we serve are in regular need of retraining or certification on new technologies. Increasingly, manufacturers such as American Honda Motor Co., Inc.; BMW of North America, LLC; and Mercedes-Benz USA, LLC are outsourcing a portion of this training to education providers such as our company.

Industry Relationships

We have an extensive network of industry relationships that provide a wide range of strategic and financial benefits, including product/ financial support, licensing and manufacturer training.

Product/Financial Support. Product/financial support is an integral component of our business strategy and is employed across our schools. In these relationships, sponsors provide their products, including equipment and supplies, at little or no cost to us in return for our use of those products in the classroom, or provide financial sponsorship to either us or our students. Product/financial support is an attractive marketing channel for sponsors because our classrooms provide them with early access to the future end-users of their products. As students become familiar with a manufacturer s products during training, they may be more likely to continue to use the same products upon graduation. Our extensive use of product support relationships allows us to minimize the equipment and supply costs in each of our classrooms and significantly reduces the capital outlay necessary for operating and equipping our campuses.

An example of a product/financial support relationship is:

Snap-on Tools. At various stages in our undergraduate programs, students receive a Snap-on Tools entry- level tool set having an approximate retail value of $1,000. We purchase these tool sets from Snap-on Tools at a discount from their list price pursuant to three written agreements. The agreement regarding our MMI locations expires in January 2006 and may be terminated for cause by Snap-on Tools at any time prior to its expiration. The agreement with our NTI location has an indefinite term and may be terminated for cause by Snap-on Tools at any time. The agreement regarding our UTI locations expired by its terms in April 2003 and we are currently operating under oral understandings with respect to these locations. We are currently in negotiation regarding the amendment and renewal of the expired UTI contract. In the context of this relationship, we have granted Snap-on Tools exclusive access to our campuses and display advertising and we have agreed to use Snap-on tools to train our students. We receive credits from Snap-on Tools for tool kits and any additional purchases made by our students. We can then redeem those credits to purchase Snap-on Tools equipment and tools for our campuses at the full retail list price.

Licensing. Licensing encompasses our affiliation with key industry brands. We pay a licensing fee and, in return, receive the right to use a particular industry participant s name or logo in our promotional materials and on our campuses. We believe that our current and potential students generally identify favorably with the recognized brand names licensed to us, enhancing our reputation and the effectiveness of our marketing efforts.

An example of a licensing arrangement is:

NASCAR. In July 1999, we entered into a licensing arrangement with NASCAR and became its exclusive education provider for automotive technicians. This written agreement expires on June 30, 2007 and may be terminated for cause by either party at any time prior to its expiration. In July 2002, the NASCAR Technical Institute opened in Mooresville, North Carolina. More than 1,200 students currently attend this campus. This relationship provides us with access to the extensive network of NASCAR sponsors, presenting us with the opportunity to enhance our product support relationships. The popular NASCAR brand name combined with the opportunity to learn on high-performance cars is a powerful recruiting and retention tool for a broad group of potential students.

Manufacturer Training. Manufacturer training relationships provide benefits to us that impact each of our education programs. These relationships induce entry-level training tailored to the needs of a specific manufacturer, as well as continuing education and retraining of experienced technicians. In our entry-level programs, students receive training and certification on a given manufacturer s products. In return, the manufacturer supplies equipment, specialty tools and parts, and assistance in developing curricula. Students who receive this training are often certified to work on that manufacturer s products when they complete the program. That certification typically leads to both improved employment opportunities and the potential for higher wages. Manufacturer training relationships lower the capital investment necessary to equip our classrooms and provide us with a significant marketing advantage. In addition, through these relationships, manufacturers are able to increase the pool of skilled resources available to service and repair their products.

We actively seek to extend our relationship with a given manufacturer by providing the manufacturer s retraining. Like the advanced training, these programs are built on a training relationship under which the manufacturer not only provides the equipment and curriculum but also pays for the students tuition. These retraining courses often take place within our existing facilities, allowing the manufacturer to avoid the costs associated with establishing its own dedicated facility.

Examples of manufacturer training relationships include:

American Honda Motor Co., Inc. Pursuant to two written agreements, American Honda Motor Co., Inc. supports our campus training program called HonTech® by donating equipment and providing curriculum. In addition, we provide continuing marine and motorcycle training for experienced American Honda technicians. We oversee administration of the training programs, including scheduling classes and technician enrollment. Our instructors provide the training at American Honda-authorized training centers across the United States. The marine training agreement expired upon completion of the final class taught in March 2004 and the program is operating under the terms and conditions of the expired agreement. We are currently in negotiation for the renewal of the contract. The motorcycle training agreement expires on

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September 30, 2004. Each agreement may be terminated for cause by American Honda at any time prior to its expiration.

Ford Motor Company. Pursuant to a written agreement, we offer the Ford Accelerated Credential Training (FACT) Elective to all of the students in our Automotive and Automotive/ Diesel programs. The FACT Elective is a 15-week course in Ford-specific training, during which students are able to earn Ford certifications. Ford Motor Company provides the curriculum, vehicles, specialty equipment and other training aids required in this elective. This agreement has an indefinite term and may be terminated without cause by either party upon six months written notice.

Mercedes-Benz USA, LLC. Pursuant to a written agreement, we offer the Mercedes-Benz ELITE training program. This is a 16-week advanced training program that enables students to earn Mercedes-Benz training credits in service maintenance, diagnosis and repair of most Mercedes-Benz vehicle systems. Highly ranked graduates of UTI s Automotive and Automotive/ Diesel programs may apply for acceptance into the Mercedes-Benz ELITE training program. Tuition for the program is paid by the manufacturer. All curricula, vehicles, specialty tools and training aids are provided by Mercedes-Benz. This agreement expires on September 30, 2005 and may be terminated without cause by Mercedes-Benz upon 60 days written notice. Recently, pursuant to an addendum to our agreement with Mercedes-Benz that expires on May 31, 2006, we added a Mercedes-Benz ELITE training program for graduates of the CRRT program. In addition, we provide training for Mercedes-Benz factory technicians on a regular basis at our Houston, Texas facility.

Toyota. We have a written agreement with Toyota Motor Sales, U.S.A., Inc. to develop the Toyota Professional Automotive Technician (TPAT) program, a new Toyota and Lexus brand-specific training program, using training and course materials as well as training vehicles and equipment provided by Toyota. This agreement expires on March 31, 2005 and may be terminated without cause by either party upon 30 days written notice, provided that TPAT training courses for enrolled students shall continue to completion.

Student Recruitment Model

We strive to increase our school enrollment and profitability through a dedicated marketing program designed to maximize market penetration. Our strategy is to recruit a geographically dispersed and demographically diverse student body, including both recent high school graduates and adults. Due to the diverse backgrounds and locations of students who attend our schools, we utilize a variety of marketing techniques to recruit applicants to our programs, including:

Field-Based Representatives. Our field-based education representatives recruit prospective students from high schools across the country. Over the last three fiscal years, approximately 60% of our student population has been recruited directly out of high school. Currently, we have 128 field-based education representatives, an increase from 58 field-based representatives as of the end of our 1998 fiscal year, with assigned territories covering the United States and U.S. territories. Our field-based education representatives recruit students by making career presentations at high schools and direct presentations at the homes of prospective students. We estimate that in our 2003 fiscal year, our education representatives made approximately 9,000 high school visits and approximately 414,000 student contacts.

Our reputation in local, regional and national business communities, endorsements from high school guidance counselors and the recommendations of satisfied graduates are some of our most effective recruiting tools. Accordingly, we strive to build relationships with the people who influence the career decisions of prospective students, such as vocational instructors and high school guidance counselors. Every year, we conduct seminars for high school career counselors and instructors at our training facilities and campuses as a means of further educating these individuals on the merits of our programs. We estimate that as much as 9% of our enrollment comes from referrals from our staff, current students and alumni.

Campus-Based Representatives. In addition to our field-based education representatives, we use campus-based representatives to recruit students. These representatives respond to targeted marketing leads and inbound inquiries to directly recruit new students typically adults returning to school from anywhere across the United States. We estimate that our 66 campus-based education representatives, an increase from 35 campus-based education representatives at the end of our 1998 fiscal year, addressed approximately 270,000 media-driven inquiries in our 2003 fiscal year. Since working adults tend to start our programs throughout the year instead of in the fall as is most typical of traditional school calendars, these students help balance our enrollment throughout the year.

Marketing and Advertising. We make use of multiple direct and indirect marketing and advertising channels aimed at prompting enthusiasts and underemployed or unemployed prospective students to contact us. We select various advertising methods on a national, regional and local basis to drive enrollments at our campuses. We utilize television advertising on national cable networks such as Speed Channel, Fox Sports Net, Spike TV (formerly known as TNN) and Outdoor Life Network, as well as on local stations. We advertise in both national and regional automotive, motorcycle and marine enthusiast publications, including Harley-Davidson s enthusiast publication which has a circulation of over 1,000,000. We also employ direct mailings and maintain a proprietary database consisting of over 980,000 names that enable us to target both high school students and working adults throughout the year.

Student Admissions and Retention

We currently employ approximately 200 field- and campus-based education representatives who work directly with prospective students to facilitate the enrollment process. At each campus, student admissions are overseen by an admissions department that reviews each application. We screen prospective student applications to increase the likelihood that all admitted students are capable of completing the requisite coursework and are ready to obtain employment following graduation. Different programs have varying admissions standards. For example, applicants for the diploma and associate of occupational studies programs must be at least 16 years of age and have a high school diploma or certification of high school equivalency (G.E.D.). Applicants for the certificate programs must have a high school diploma or G.E.D. or be beyond the age of compulsory school attendance and have the ability to benefit from the training offered, as determined by personal interviews and performance on the Wonderlic Scholastic Level Exam.

To maximize student persistence, we have staff and other resources to assist and advise students regarding academic, financial, personal and employment matters. Our consolidated student completion rate is typically above 70%, which we believe compares favorably with the student completion rates of other providers of comparable educational/ training programs.

Enrollment

We enroll students continuously throughout the year. For the three months ended December 31, 2003, we had an average enrollment of 12,856 full-time undergraduate students, representing an increase of approximately 24.6% as compared to the three months ended December 31, 2002 and making us the largest provider of post-secondary education in our fields of study in the United States. Currently, our student body is geographically diverse, with approximately 80% of our students at most campuses having relocated to attend our programs. For the twelve months ended September 30, 2001, 2002 and 2003, we had average undergraduate enrollments of 6,710 and 8,277 and 10,568 full-time undergraduate students, respectively.

Graduate Placement

We believe that securing employment for our graduates is critical to our ability to attract high quality prospective students. In addition, high placement rates are directly correlated to low student loan default rates, an important requirement for continuing participation in Title IV federal funding programs. Accordingly, we dedicate significant resources to maintaining an efficient graduate placement program. Our consolidated graduate placement rates, calculated in accordance with the standards of our accrediting commission, were 89%, 90% and 89% for our fiscal years 2001, 2002 and 2003, respectively.

Our schools utilize their externship programs to develop job opportunities and referrals. During the course of each program, students receive instruction on job search and interviewing skills and have available reference materials and assistance with the composition of resumes.

Currently, over 3,200 employers participate in the Tuition Reimbursement Incentive Program (TRIP), whereby employers of our graduates make some or all of the graduates monthly student loan payments for as long as they employ the graduate or until the loan is paid in full, whichever is earlier. We believe that TRIP provides us with a more compelling value proposition to prospective students and further enhances our relationship with our OEM partners.

Faculty and Employees

Faculty members are hired nationally in accordance with established criteria, applicable accreditation standards and applicable state regulations. Members of our faculty are primarily industry professionals and are hired based on their prior work and educational experience. We require a specific level of industry experience in order to enhance the quality of the programs that we offer and to address current and industry-specific issues in the course content. We provide intensive instructional training and continuing education to our faculty members to maintain the quality of instruction in all fields of study. Generally, our existing instructors have between four and seven years teaching experience and our average undergraduate student-to-teacher ratio is approximately 22-to-1.

The staff of each school includes a school director, a director of graduate placement, an education director, a director of student services, a financial-aid director, an accounting manager or division controller and a director of admissions. The staff is composed of industry professionals with experience in the fields that we serve. As of December 31, 2003, we had approximately 1,600 full-time employees, including approximately 310 student support employees and approximately 780 full-time faculty members.

Our employees are not represented by labor unions and are not subject to collective bargaining agreements. We have never experienced a work stoppage, and we believe that we have a good relationship with our employees. However, as we open or acquire campuses in new geographic areas, we may encounter employees who desire or maintain union representation.

Seasonality

Our business is subject to seasonal variations, principally due to changes in total student population. Student population varies as a result of new student enrollments, graduation and student attrition. Historically, our campuses have had lower student populations in the third fiscal quarter than in the remainder of the year because fewer students are enrolled during the summer months. Our expenses, however, do not significantly vary with changes in student population and net revenues and, as a result, such expenses do not fluctuate significantly on a quarterly basis. We expect quarterly fluctuations in operating results to continue as a result of seasonal enrollment patterns. Such patterns may change, however, as a result of acquisitions, new school openings, new program introductions and increased enrollments of adult students.

Competition

The career-oriented school industry is highly fragmented, with no one provider or public institution controlling a significant market share. Generally, there is limited direct competition between career-oriented schools and traditional four-year colleges or universities. Our main competitors are traditional public and private two-year junior and community colleges, other proprietary career-oriented schools and technical schools, including Lincoln Technical Institute and Wyoming Technical Institute, which is owned by Corinthian Colleges, Inc. We compete at a local and regional level based primarily on the content, visibility and accessibility of academic programs, the quality of instruction and the time necessary to enter the workforce. We believe that we are superior to our competitors in size, industry relationships, brand, reputation and recruiting capability.

Campuses and Other Properties

The following chart provides information relating to our leased campuses and other leased properties:

	School/Program	Location	Approximate Square Footage
Campus:	UTI	Phoenix, Arizona(1)	166,000
	UTI	Houston, Texas	178,000
	UTI	Glendale Heights, Illinois	125,000
	UTI	Rancho Cucamonga, California(2)	83,000
	UTI	Exton, Pennsylvania(3)	160,000
	MMI	Phoenix, Arizona	118,000
	MMI/ UTI	Orlando, Florida(4)	108,000
	NTI	Mooresville, North Carolina	146,000
Corporate Offices:	Headquarters	Phoenix, Arizona	60,000
Advanced Training Centers:	Audi Academy	Phoenix, Arizona	10,000
	Audi Academy	Glendale Heights, Illinois	6,500
	Audi Academy	Allentown, Pennsylvania	6,200
	BMW STEP	Phoenix, Arizona	9,700
	BMW STEP	Ontario, California	2,500
	BMW STEP	Houston, Texas	7,500
	BMW STEP	Upper Saddle River, New Jersey	7,500
	BMW STEP	Orlando, Florida	13,300
	Ford Technical Institute	Dearborn, Michigan	9,600
	Jaguar PACE	Orlando, Florida	13,300
	International Tech Education Program	Carol Stream, Illinois	7,100
	Mercedes-Benz ELITE	Rancho Cucamonga, California	8,700
	Mercedes-Benz ELITE	Orlando, Florida	10,100
	Mercedes-Benz ELITE	Houston, Texas	27,600
	Mercedes-Benz ELITE	Glendale Heights, Illinois	11,900
	Mercedes-Benz ELITE	Allentown, Pennsylvania	10,600
	Porsche TAP	Atlanta, Georgia	5,000
	Volkswagen V.S.T.T.	Glendale Heights, Illinois	6,900
	Volkswagen V.S.T.T.	Allentown, Pennsylvania	6,900

	School/Program	Location	Approximate Square Footage
Advanced Training Centers:	Volkswagen V.S.T.T.	Rancho Cucamonga, California	8,700
	Volvo SAFE	Glendale Heights, Illinois	11,000
	Volvo SAFE	Phoenix, Arizona	10,000

(1) We have entered into a lease for a new 287,000 square foot facility in Avondale, Arizona, in the Phoenix metropolitan area. This new facility will replace the current UTI Phoenix, Arizona facility and certain training facilities for manufacturer-sponsored programs and is scheduled to open in the summer of 2004. This new facility is not expected to increase our student capacity.

(2) We have entered into a lease for a new 190,000 square foot facility in Rancho Cucamonga, California. This new facility will replace the current UTI Rancho Cucamonga, California facility and certain training facilities for manufacturer-sponsored programs. This new facility, which is currently scheduled to open in the fall of 2004, is expected to increase our student capacity at this location by approximately 800 students.

(3) We have entered into a lease for a new 160,000 square foot facility lease in Exton, Pennsylvania where we are currently developing a new campus. This campus is currently scheduled to open in the fourth quarter of our 2004 fiscal year.

(4) We have received regulatory approval to expand the program offerings at our Orlando, Florida campus to include an automotive technology program. We are currently in negotiations to enter into a long-term lease agreement for a facility that will accommodate this program. We anticipate that the new facility for the automotive program will be available for occupancy in the fall of 2004.

Environmental Matters

We use hazardous materials at our training facilities and campuses, and generate small quantities of waste such as used oil, antifreeze, paint and car batteries. As a result, our facilities and operations are subject to a variety of environmental laws and regulations governing, among other things, the use, storage and disposal of solid and hazardous substances and waste, and the clean-up of contamination at our facilities or off-site locations to which we send or have sent waste for disposal. We are also required to obtain permits for our air emissions, and to meet operational and maintenance requirements, including periodic testing, for an underground storage tank located at one of our properties. In the event we do not maintain compliance with any of these laws and regulations, or are responsible for a spill or release of hazardous materials, we could incur significant costs for clean-up, damages, and fines or penalties.

Legal Proceedings

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

In April 2004, we received a letter on behalf of nine former employees of National Technology Transfer, Inc. (NTT), an entity that we purchased in 1998 and subsequently sold, making a demand for an aggregate payment of approximately $284,900 and 19,756 shares of our common stock. The claim is based on the assertion that the former owner of NTT promised them such payments upon completion of a public offering of our common stock. We believe the demand for payment is without merit.

REGULATORY ENVIRONMENT

Our schools and students participate in a variety of government-sponsored financial aid programs to 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 Title IV Programs, which are administered by the U.S. Department of Education or ED. In our 2003 fiscal year, we derived approximately 68% of our net revenues from Title IV Programs.

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 ED, and be certified as an eligible institution by ED. For this reason, our schools are subject to extensive regulatory requirements imposed by all of these entities.

State Authorization

Each of our schools must be authorized by the applicable state education agency of the state in which the school is located in order to operate and to grant degrees, diplomas or certificates to its students. Our schools are subject to extensive, ongoing regulation by each of these states. State authorization is also required for an institution to become and remain eligible to participate in Title IV Programs. In addition, our schools are required to be authorized by the applicable state education agencies of certain other states in which our schools recruit students. Currently, each of our schools is authorized by the applicable state education agency or agencies.

The level of regulatory oversight varies substantially from state to state, and is very extensive in some states. State laws typically establish standards for instruction, qualifications of faculty, location and nature of facilities and equipment, administrative procedures, marketing, recruiting, financial operations and other operational matters. State laws and regulations may limit our ability to offer educational programs and to award degrees, diplomas or certificates. Some states prescribe standards of financial responsibility that are different from, and in certain cases more stringent than, those prescribed by ED, and some states require schools to post a surety bond. Currently, we have posted surety bonds on behalf of our schools and education representatives with multiple states in a total amount of approximately $7.6 million. These bonds are backed by letters of credit. We believe that each of our schools is in substantial compliance with state education agency requirements. If any one of our schools lost its authorization from the education agency of the state in which the school is located, that school would be unable to offer its programs and we could be forced to close that school. If one of our schools lost its state authorization from a state other than the state in which the school is located, the school would not be able to recruit students in that state.

Due to state budget constraints in some of the states in which we operate, such as Illinois, Texas and California, it is possible that those states may reduce the number of employees in, or curtail the operations of, the state education agencies that authorize our schools. A delay or refusal by any state education agency in approving any changes in our operations that require state approval, such as the opening of a new campus, the introduction of new programs, a change of control or the hiring or placement of new education representatives, could prevent us from making such changes or could delay our ability to make such changes.

Accreditation

Accreditation is a non-governmental process through which a school submits to ongoing qualitative review by an organization of peer institutions. Accrediting commissions primarily examine the academic quality of the school s instructional programs, and a grant of accreditation is generally viewed as confirmation that the school s programs meet generally accepted academic standards. Accrediting commissions also review the administrative and financial operations of the schools they accredit to ensure that each school has the resources necessary to perform its educational mission.

Accreditation by an accrediting commission recognized by ED is required for an institution to be certified to participate in Title IV Programs. In order to be recognized by ED, accrediting commissions must adopt specific standards for their review of educational institutions. All of our schools are accredited by the Accrediting Commission of Career Schools and Colleges of Technology, or ACCSCT, an accrediting commission recognized by ED. We believe that each of our schools is in substantial compliance with ACCSCT accreditation standards. If any one of our schools lost its accreditation, students attending that school would no longer be eligible to receive Title IV Program funding, and we could be forced to close that school. An accrediting commission may place a school on reporting status to monitor one or more specified areas of performance in relation to the accreditation standards. A school placed on reporting status is required to report periodically to the accrediting commission on that school s performance in the area or areas specified by the commission. ACCSCT has requested that our MMI school in Orlando submit an outcomes report that provides completion and placement rates for the fourteen months beginning March 2001 and ending May 2002 for two of our motorcycle technician programs.

Nature of Federal and State Support for Post-Secondary Education

The federal government provides a substantial part of its support for post-secondary education through Title IV Programs, in the form of grants and loans to students who can use those funds at any institution that has been certified as eligible by ED. Most aid under Title IV Programs is awarded on the basis of financial need, generally defined as the difference between the cost of attending the institution and the amount a student can reasonably contribute to that cost. All recipients of Title IV Program funds must maintain a satisfactory grade point average and progress in a timely manner toward completion of their program of study. In addition, each school must ensure that Title IV Program funds are properly accounted for and disbursed in the correct amounts to eligible students.

Students at our schools receive grants and loans to fund their education under the following Title IV Programs: (1) the Federal Family Education Loan, or FFEL, program, (2) the Federal Pell Grant, or Pell, program, (3) the Federal Supplemental Educational Opportunity Grant, or FSEOG, program, and (4) the Federal Perkins Loan, or Perkins, program.

FFEL. Under the FFEL program, banks and other lending institutions make loans to students or their parents. If a student or parent defaults on a loan, payment is guaranteed by a federally recognized guaranty agency, which is then reimbursed by ED. Students with financial need qualify for interest subsidies while in school and during grace periods. In our 2003 fiscal year, we derived more than 58% of our net revenues from the FFEL program.

Pell. Under the Pell program, ED makes grants to students who demonstrate financial need. In our 2003 fiscal year, we derived approximately 10% of our net revenues from the Pell program.

FSEOG. FSEOG grants are designed to supplement Pell grants for students with the greatest financial needs. An institution is required to make a 25% matching contribution for all funds received from ED under this program. In our 2003 fiscal year, we derived less than 1% of our net revenues from the FSEOG program.

Perkins. Perkins loans are made from a revolving institutional account, 75% of which is capitalized by ED and the remainder by the institution. Each institution is responsible for collecting payments on Perkins loans from its former students and lending those funds to currently enrolled students. Defaults by students on their Perkins loans reduce the amount of funds available in the applicable school s revolving account to make loans to additional students, but the school does not have any obligation to guarantee the loans or repay the defaulted amounts. In our 2003 fiscal year, we derived less than 1% of our net revenues from the Perkins program.

Some of our students receive financial aid from federal sources other than Title IV Programs, such as the programs administered by the U.S. Department of Veterans Affairs and under the Workforce Investment Act. In addition, many states also provide financial aid to our students in the form of grants, loans or scholarships. The eligibility requirements for state financial aid and these other federal aid programs vary among the funding agencies and by program. Several states that provide financial aid to our

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students, including California, are facing significant budgetary constraints. We believe that the overall level of state financial aid for our students is likely to decrease in the near term, but we cannot predict how significant any such reductions will be or how long they will last.

Regulation of Federal Student Financial Aid Programs

To participate in Title IV Programs, an institution must be authorized to offer its programs by the relevant state education agencies, be accredited by an accrediting commission recognized by ED and be certified as eligible by ED. ED will certify an institution to participate in Title IV Programs only after the institution has demonstrated compliance with the Higher Education Act and ED s extensive regulations regarding institutional eligibility. An institution must also demonstrate its compliance to ED on an ongoing basis. These standards are applied primarily on an institutional basis, with an institution defined by ED as a main campus and its additional locations, if any. Under this definition, for ED purposes, we presently have the following three institutions:

Universal Technical Institute of Arizona

Main campus: Universal Technical Institute, Phoenix, Arizona

Additional locations: Universal Technical Institute, Glendale Heights, Illinois
Universal Technical Institute, Rancho Cucamonga, California

NASCAR Technical Institute, Mooresville, North Carolina

Clinton Technical Institute

Main campus: Motorcycle Mechanics Institute, Phoenix, Arizona

Additional location: Motorcycle and Marine Mechanics Institute, Orlando, Florida

Universal Technical Institute of Texas

Main campus: Universal Technical Institute, Houston, Texas

Additional locations: None

All of our schools are currently certified by ED to participate in Title IV Programs. When we apply to ED to have our new Exton, Pennsylvania campus certified for participation in Title IV Programs, we intend to seek approval for it to be designated as an additional location of our UTI/Houston campus.

The substantial amount of federal funds disbursed through Title IV Programs, the large numbers of students and institutions participating in those programs and instances of fraud and abuse by some schools and students in the past have caused Congress to require ED to increase its level of regulatory oversight. Accrediting commissions and state education agencies also have responsibilities for overseeing compliance of institutions with Title IV Program requirements. As a result, each of our institutions is subject to detailed oversight and review, and must comply with a complex framework of laws and regulations. Because ED periodically revises its regulations and changes its interpretation of existing laws and regulations, we cannot predict with certainty how the Title IV Program requirements will be applied in all circumstances.

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

Congressional Action. Political and budgetary concerns significantly affect Title IV Programs. Congress must reauthorize the Higher Education Act approximately every six years. The last reauthorization took place in 1998. Consequently, Congress recently began the process of reviewing and reauthorizing the Higher Education Act again, a process that is expected to be concluded in late 2004 or in 2005. We believe that this reauthorization will likely result in numerous changes to the Higher Education Act. At this time, we cannot determine what changes Congress will make.

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In addition, Congress reviews and determines federal appropriations for Title IV Programs on an annual basis. Congress can also make changes in the laws affecting Title IV Programs in the annual appropriations bills and in other laws it enacts between the Higher Education Act reauthorizations. Since a significant percentage of our net revenues is derived from Title IV Programs, any action by Congress that significantly reduces Title IV Program funding or the ability of our schools or students to participate in Title IV Programs could reduce our student enrollment and net revenues. Congressional action may also increase our administrative costs and require us to modify our practices in order for our schools to comply fully with Title IV Program requirements.

The 90/10 Rule. A proprietary institution, such as each of our institutions, loses its eligibility to participate in Title IV Programs if, on a cash accounting basis, it derives more than 90% of its revenue for any fiscal year from Title IV Programs. Any institution that violates this rule becomes ineligible to participate in Title IV Programs as of the first day of the fiscal year following the fiscal year in which it exceeds 90%, and is unable to apply to regain its eligibility until the next fiscal year. If one of our institutions violated the 90/10 Rule and became ineligible to participate in Title IV Programs but continued to disburse Title IV Program funds, ED would require the institution to repay all Title IV Program funds received by the institution after the effective date of the loss of eligibility.

We have calculated that, for each of our 2001, 2002 and 2003 fiscal years, none of our institutions derived more than 81.4% of its revenue from Title IV Programs for any fiscal year. For our 2003 fiscal year, our institutions 90/10 Rule percentages ranged from 73.5% to 80.0%. We regularly monitor compliance with this requirement to minimize the risk that any of our institutions would derive more than the maximum percentage of its revenue from Title IV Programs for any fiscal year. If an institution appeared likely to approach the maximum percentage threshold, we would consider making changes in student financing to comply with the 90/10 Rule.

Student Loan Defaults. An institution may lose its eligibility to participate in some or all Title IV Programs if the rates at which the institution s current and former students default on their federal student loans exceed specified percentages. ED calculates these rates based on the number of students who have defaulted, not the dollar amount of such defaults. ED calculates an institution s cohort default rate on an annual basis as the rate at which borrowers scheduled to begin repayment on their loans in one year default on those loans by the end of the next year. An institution whose FFEL cohort default rate is 25% or greater for three consecutive federal fiscal years (which correspond to our fiscal years) loses eligibility to participate in the FFEL and Pell programs for the remainder of the federal fiscal year in which ED determines that such institution has lost its eligibility and for the two subsequent federal fiscal years. An institution whose FFEL cohort default rate for any single federal fiscal year exceeds 40% may have its eligibility to participate in all Title IV Programs limited, suspended or terminated by ED.

None of our institutions has had an FFEL cohort default rate of 25% or greater for any of the federal fiscal years 1999, 2000 and 2001, the three most recent years for which ED has published such rates. The following table sets forth the FFEL cohort default rates for our institutions for those years.

	FFEL Cohort Default Rate		
School	**1999**	**2000**	**2001**
UTI/Arizona	6.8%	6.7%	4.4%
Clinton Technical Institute (dba MMI)	7.5%	8.7%	5.9%
UTI/Texas	12.3%	15.6%	8.1%

An institution whose cohort default rate under the FFEL program is 25% or greater for any one of the three most recent federal fiscal years, or whose cohort default rate under the Perkins program exceeds 15% for any federal award year (the twelve-month period from July 1 through June 30), may be placed on provisional certification status by ED for up to four years. In recertifying all of our institutions for continued participation in Title IV Programs in July 2003, ED did not place any of our institutions on provisional certification for their FFEL or Perkins cohort default rates. All of our institutions have Perkins cohort default rates less than 15% for students who were scheduled to begin repayment in the 2001-2002 federal award year, the most recent federal award year for which ED has published such rates.

An institution whose Perkins cohort default rate is 50% or greater for three consecutive federal award years loses eligibility to participate in the Perkins program for the remainder of the federal award year in which ED determines that the institution has lost its eligibility and for the two subsequent federal award years. None of our institutions has had a Perkins cohort default rate of 50% or greater for any of the last three federal award years. ED also will not provide any additional federal funds to an institution for Perkins loans in any federal award year in which the institution s Perkins cohort default rate is 25% or greater. None of our institutions has had its federal Perkins funding eliminated for the last two federal award years for this reason.

Financial Responsibility Standards. All institutions participating in Title IV Programs must satisfy specific standards of financial responsibility. ED evaluates institutions for compliance with these standards each year, based on the institution s annual audited financial statements, as well as following a change of control of the institution.

The most significant financial responsibility measurement is the institution s composite score, which is calculated by ED based on three ratios:

- the equity ratio, which measures the institution s capital resources, ability to borrow and financial viability;

- the primary reserve ratio, which measures the institution s ability to support current operations from expendable resources; and

- the net income ratio, which measures the institution s ability to operate at a profit.

ED assigns a strength factor to the results of each of these ratios on a scale from negative 1.0 to positive 3.0, with negative 1.0 reflecting financial weakness and positive 3.0 reflecting financial strength. ED then assigns a weighting percentage to each ratio and adds the weighted scores for the three ratios together to produce a composite score for the institution. The composite score must be at least 1.5 for the institution to be deemed financially responsible without the need for further oversight. If ED determines that an institution does not satisfy ED s financial responsibility standards, depending on its composite score and other factors, that institution may establish its financial responsibility on an alternative basis by, among other things:

- posting a letter of credit in an amount equal to at least 50% of the total Title IV Program funds received by the institution during the institution s most recently completed fiscal year;

- posting a letter of credit in an amount equal to at least 10% of such prior year s Title IV Program funds, accepting provisional certification, complying with additional ED monitoring requirements and agreeing to receive Title IV Program funds under an arrangement other than ED s standard advance funding arrangement; or

- complying with additional ED monitoring requirements and agreeing to receive Title IV Program funds under an arrangement other than ED s standard advance funding arrangement.

Beginning with our 1999 fiscal year, ED has evaluated the financial condition of our institutions on a consolidated basis based on the financial statements of Universal Technical Institute, Inc., as the parent company. ED s regulations permit ED to examine the financial statements of Universal Technical Institute, Inc., as the parent company, the financial statements of each institution and the financial statements of any related party.

Based on its review of the financial statements of Universal Technical Institute, Inc., as the parent company, for our fiscal years 1999, 2000, 2001 and 2002, ED found that we did not have a composite score of 1.5 or higher. Consequently, since November 2000, we have been required to post a letter of credit on behalf of our institutions in favor of ED and to accept provisional certification and additional ED reporting and monitoring procedures, including the submission of monthly financial and performance reports to ED. We currently have posted a letter of credit in the amount of $9.9 million, representing approximately 10% of the total Title IV Program funds received by our institutions in our 2002 fiscal year, as calculated by ED. In addition, all of our institutions are provisionally certified and are required to credit their students accounts before requesting and receiving Title IV Program funds on behalf of their students, and two of our institutions are required to file additional reports with ED regarding their receipt of Title IV Program funds. Based on our financial statements for our 2003 fiscal year, our composite score at the level of Universal Technical Institute, Inc. remains below 1.5. Following our initial public offering, which occurred during our 2004 fiscal year, we believe that we will satisfy ED s financial responsibility standards based on our audited financial statements for our 2004 fiscal year, which we anticipate filing with ED in early 2005.

Return of Title IV Funds. A school participating in Title IV Programs must calculate the amount of unearned Title IV Program funds that have been disbursed to students who withdraw from their educational programs before completing them, and must return those unearned funds to ED or the applicable lending institution in a timely manner, which is generally within 30 days from the date the institution determines that the student has withdrawn.

If an institution is cited in an audit or program review for returning Title IV Program funds late for 5% or more of the students in the audit or program review sample, the institution must post a letter of credit in favor of ED in an amount equal to 25% of the total amount of Title IV Program funds that should have been returned for students who withdrew in the institution s previous fiscal year. Our 2002 fiscal year Title IV compliance audits cited UTI/Texas and MMI for exceeding the 5% late payment threshold. While ordinarily we would be required to post letters of credit for this reason, ED informed us that we were not required to post these additional letters of credit because we had already posted a larger letter of credit as a result of our financial responsibility composite score being less than 1.5. Our 2003 fiscal year Title IV compliance audits did not cite any of our institutions for exceeding the 5% late payment threshold.

School Acquisitions. When a company acquires a school that is eligible to participate in Title IV Programs, that school undergoes a change of ownership resulting in a change of control as defined by ED. Upon such a change of control, a school s eligibility to participate in Title IV Programs is generally suspended until it has applied for recertification by ED as an eligible school under its new ownership, which requires that the school also re-establish its state authorization and accreditation. ED may temporarily and provisionally certify an institution seeking approval of a change of control under certain circumstances while ED reviews the institution s application. The time required for ED to act on such an application may vary substantially. ED s recertification of an institution following a change of control will be on a provisional basis. Our expansion plans are based, in part, on our ability to acquire additional schools and have them certified by ED to participate in Title IV Programs. Our expansion plans take into account the approval requirements of ED and the relevant state education agencies and accrediting commissions.

Change of Control. In addition to school acquisitions, other types of transactions can also cause a change of control. ED, most state education agencies and our accrediting commission all have standards pertaining to the change of control of schools, but these standards are not uniform. ED s regulations describe some transactions that constitute a change of control, including the transfer of a controlling interest in the voting stock of an institution or the institution s parent corporation. With respect to a publicly-traded corporation, such as us, ED regulations provide that a change of control occurs in one of two ways: (a) if there is an event that would obligate the corporation to file a Current Report on Form 8-K with the Securities and Exchange Commission disclosing a change of control or (b) if the corporation has a stockholder that owns at least 25% of the total outstanding voting stock of the corporation and is the largest stockholder of the corporation, and that stockholder ceases to own at least 25% of such stock or ceases to be the largest stockholder. These change of control standards are subject to interpretation by ED. Most of the states and our accrediting commission include the sale of a controlling interest of common stock in the definition of a change of control. A change of control under the definition of one of these agencies would require the affected school to reaffirm its state authorization or accreditation. The requirements to obtain such reaffirmation from the states and our accrediting commission vary widely.

This offering will not obligate us to file a Current Report on Form 8-K with the Securities and Exchange Commission disclosing a change of control. In addition, prior to this offering and based on filings by stockholders of beneficial ownership reports on Schedules 13D or 13G, no stockholder owns 25% or more of our outstanding voting stock. As a result, we believe that this offering will not be a change of control under ED s standards. However, this offering will be a change of control under the standards of the state education agency in Texas, and may be a change of control under the standards of the state education agencies in some of the other states in which our schools are located as well as the standards of our accrediting commission. As a result, our schools located in those states will be required to be reauthorized by their respective state education agencies, and all of our schools may be required to have their accreditation reaffirmed by our accrediting commission. We believe that this offering will not affect the ability of our schools to participate in Title IV Programs unless any of those state education agencies or our accrediting commission fail to reauthorize or re-accredit any of those schools in a timely manner. The failure of any of our schools to re-obtain state authorization or accreditation would cause that school to lose its eligibility to participate in Title IV Programs.

A change of control could occur as a result of future transactions in which our company or schools are involved. Some corporate reorganizations and some changes in the board of directors are examples of such transactions. Moreover, the potential adverse effects of a change of control could influence future decisions by us and our stockholders regarding the sale, purchase, transfer, issuance or redemption of our stock. In addition, the adverse regulatory effect of a change of control also could discourage bids for your shares of common stock and could have an adverse effect on the market price of your shares. If a future transaction results in a change of control of our company or our schools, we believe that we will be able to obtain all necessary approvals from ED, our accrediting commission and the applicable state education agencies. However, we cannot assure you that all such approvals can be obtained at all or in a timely manner that will not delay or reduce the availability of Title IV Program funds for our students and schools.

Opening Additional Schools and Adding Educational Programs. For-profit educational institutions must be authorized by their state education agencies and fully operational for two years before applying to ED to participate in Title IV Programs. However, an institution that is certified to participate in Title IV Programs may establish an additional location and apply to participate in Title IV Programs at that location without reference to the two-year requirement, if such additional location satisfies all other applicable ED eligibility requirements. Our expansion plans are based, in part, on our ability to open new schools as additional locations of our existing institutions and take into account ED s approval requirements. When we apply to ED to have our new Exton, Pennsylvania campus certified for participation in Title IV Programs, we intend to seek approval for it to be designated as an additional location of our UTI/Houston campus.

A student may use Title IV Program funds only to pay the costs associated with enrollment in an eligible educational program offered by an institution participating in Title IV Programs. Generally, an institution that is eligible to participate in Title IV Programs may add a new educational program without ED approval if that new program leads to an associate level or higher degree and the institution already offers programs at that level, or if that program prepares students for gainful employment in the same or a related occupation as an educational program that has previously been designated as an eligible program at that institution and meets minimum length requirements. If an institution erroneously determines that an educational program is eligible for purposes of Title IV Programs, the institution would likely be liable for repayment of Title IV Program funds provided to students in that educational program. Our expansion plans are based, in part, on our ability to add new educational programs at our existing schools. We do not believe that current ED regulations will create significant obstacles to our plans to add new programs.

Some of the state education agencies and our accrediting commission also have requirements that may affect our schools ability to open a new campus, establish an additional location of an existing institution or begin offering a new educational program. We do not believe that these standards will create significant obstacles to our expansion plans.

Administrative Capability. ED assesses the administrative capability of each institution that participates in Title IV Programs under a series of separate standards. Failure to satisfy any of the standards may lead ED to find the institution ineligible to participate in Title IV Programs or to place the institution on provisional certification as a condition of its participation. One standard that applies to programs with the stated objective of preparing students for employment requires the institution to show a reasonable relationship between the length of the program and the entry-level job requirements of the relevant field of employment. We believe we have made the required showing for each of our applicable programs.

Other standards provide that an institution may be found to lack administrative capability and be placed on provisional certification if its student loan default rate under the FFEL program is 25% or greater for any of the three most recent federal fiscal years, or if its Perkins cohort default rate exceeds 15% for any federal award year. In recertifying all of our institutions for continued participation in Title IV Programs in July 2003, ED did not find that any of our institutions lacked administrative capability and did not impose provisional certification requirements on any of our institutions for their student loan default rates.

Restrictions on Payment of Commissions, Bonuses and Other Incentive Payments. An institution participating in Title IV Programs may not provide any commission, bonus or other incentive payment based directly or indirectly on success in securing enrollments or financial aid to any person or entity engaged in any student recruiting or admission activities or in making decisions regarding the awarding of Title IV Program funds. In November 2002, ED published new regulations, which took effect in July 2003, to attempt to clarify this so-called incentive compensation law. The new regulations identify twelve compensation arrangements that ED has determined are not in violation of the incentive compensation law, including the payment and adjustment of salaries, bonuses and commissions in certain circumstances. ED s new regulations do not establish clear criteria for compliance in all circumstances, and ED has announced that it will no longer review and approve individual schools compensation plans. Nonetheless, we believe that our current compensation plans are in compliance with the Higher Education Act and ED s new regulations, although we cannot assure you that ED will not find deficiencies in our compensation plans.

Eligibility and Certification Procedures. Each institution must apply to ED for continued certification to participate in Title IV Programs at least every six years, or when it undergoes a change of control, and an institution may come under ED review when it expands its activities in certain ways, such as opening an additional location or raising the highest academic credential it offers. ED may place an institution on provisional certification status if it finds that the institution does not fully satisfy all of the eligibility and certification standards. ED may withdraw an institution s provisional certification without advance notice if ED determines that the institution is not fulfilling all material requirements. In addition, ED may more closely review an institution that is provisionally certified if it applies for approval to open a new location, add an educational program, acquire another school or make any other significant change. Provisional certification does not otherwise limit an institution s access to Title IV Program funds.

All of our institutions were recertified by ED in July 2003 for continued participation in Title IV Programs through June 2006. All of the recertifications were on a provisional basis, based on our composite score at the parent company level under ED s financial responsibility formula. In addition, ED has informed us that it intends to issue revised certification documents to our institutions to clarify the corporate ownership structure of our institutions and campuses participating in the Title IV Programs.

Compliance with Regulatory Standards and Effect of Regulatory Violations. Our schools are subject to audits and program compliance reviews by various external agencies, including ED, ED s Office of Inspector General, state education agencies, student loan guaranty agencies, the U.S. Department of Veterans Affairs and our accrediting commission. Each of our institutions administration of Title IV Program funds must also be audited annually by an independent accounting firm, and the resulting audit report submitted to ED for review. If ED or another regulatory agency determined that one of our institutions improperly disbursed Title IV Program funds or violated a provision of the Higher Education Act or ED s regulations, that institution could be required to repay such funds and could be assessed an administrative fine. ED could also transfer the institution to the reimbursement system of receiving Title IV Program funds, under which an institution must disburse its own funds to students and document the students eligibility for Title IV Program funds before receiving such funds from ED. Violations of Title IV Program requirements could also subject us or our schools to other civil and criminal penalties.

Significant violations of Title IV Program requirements by us or any of our institutions could be the basis for a proceeding by ED to limit, suspend or terminate the participation of the affected institution in Title IV Programs. Generally, such a termination extends for 18 months before the institution may apply for reinstatement of its participation. There is no ED proceeding pending to fine any of our institutions or to limit, suspend or terminate any of our institutions participation in Title IV Programs, and we have no reason to believe that any such proceeding is contemplated.

We and our schools are also subject to complaints and lawsuits relating to regulatory compliance brought not only by our regulatory agencies, but also by other government agencies and third parties, such as present or former students or employees and other members of the public. If we are unable to successfully resolve or defend against any such complaint or lawsuit, we may be required to pay money damages or be subject to fines, limitations, loss of federal funding, injunctions or other penalties. Moreover, even if we successfully resolve or defend against any such complaint or lawsuit, we may have to devote significant financial and management resources in order to reach such a result.

Predominant Use of One Lender and One Guaranty Agency. Our students have traditionally received their FFEL student loans from a limited number of lending institutions. For example, in our 2003 fiscal year, one lending institution, Sallie Mae, provided more than 95% of the FFEL loans that our students received. In addition, in our 2003 fiscal year, one student loan guaranty agency, EdFund, guaranteed more than 95% of the FFEL loans made to our students. Sallie Mae and EdFund are among the largest student loan lending institutions and guaranty agencies, respectively, in the United States in terms of loan volume. We do not believe that either one intends to withdraw from the student loan field or reduce the volume of loans it makes or guarantees in the near future. If loans by our primary lender or guarantees by our primary guaranty agency were significantly reduced or no longer available, we believe that we would be able to identify other lenders and guarantors to make and guarantee those loans for our students because the student loan industry is highly competitive and we are frequently approached by other lenders and guarantors seeking our business. If we were not able to timely identify other lenders and guarantors to make and guarantee those loans for our students, that could delay our students receipt of their loans, extend our tuition collection cycle and reduce our student population and net revenues.

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MANAGEMENT

Executive Officers and Directors

Below is information with respect to our executive officers and directors.

Name	Age	Position Held
Robert D. Hartman	55	Chairman of the Board
John C. White	55	Chief Strategic Planning Officer and Vice Chairman of the Board
Kimberly J. McWaters	40	Chief Executive Officer and President
Jennifer L. Haslip	38	Senior Vice President, Chief Financial Officer, Treasurer and Secretary
David K. Miller	45	Senior Vice President of Admissions
Roger L. Speer	45	Senior Vice President of Operations
A. Richard Caputo, Jr.(1)(2)(3)	38	Director
Conrad A. Conrad(1)(3)	58	Director
Michael R. Eisenson(1)(2)	48	Director
Kevin P. Knight(1)(2)	47	Director
Roger S. Penske(3)	67	Director

(1) Member of the audit committee.

(2) Member of the compensation committee.

(3) Member of the nominating and corporate governance committee.

Robert D. Hartman has served as our Chairman of the Board since October 1, 2003. From 1990 to September 30, 2003, Mr. Hartman served as our Chief Executive Officer, and from April 2002 to September 30, 2003, Mr. Hartman served as the Co-Chairman of the Board. Mr. Hartman has been a member of our Board since 1985. From 1979 to 1990, Mr. Hartman held several positions with UTI, including Student Services Director, Controller, School Director and President. He was appointed by the Governor of Arizona to the Arizona State Board for Private Post-secondary Education in 1990 and served until 1995. In addition, he has served on the Advisory Council for the Arizona Educational Loan Program, representing the private career school sector. He was founder and former Chairman of the Western Council of Private Career Schools. Mr. Hartman received a BA in General Business from Michigan State University and an MBA in Finance from DePaul University in Chicago.

John C. White has served as our Chief Strategic Planning Officer and Vice Chairman since October 1, 2003. From April 2002 to September 30, 2003, Mr. White served as our Chief Strategic Planning Officer and Co-Chairman of the Board. From 1998 to March 2002, Mr. White served as our Chief Strategic Planning Officer and Chairman of the Board. Mr. White served as the President of Clinton Harley Corporation (which operated under the name Motorcycle Mechanics Institute and Marine Mechanics Institute) from 1977 until it was acquired by UTI in 1998. Prior to 1977, Mr. White was a marketing representative with International Business Machines Corporation. Mr. White was appointed by the Arizona Senate to serve as a member of the Joint Legislative Committee on Private Regionally Accredited Degree Granting Colleges and Universities and Private Nationally Accredited Degree Granting and Vocational Institutions in 1990. He was appointed by the Governor of Arizona to the Arizona State Board for Private Post-secondary Education, where he was a member and Complaint Committee Chairman from 1993-2001. Mr. White received a BS in Engineering from the University of Illinois. Mr. White is the uncle of David K. Miller, our Senior Vice President of Admissions.

Kimberly J. McWaters has served as our Chief Executive Officer since October 1, 2003. Ms. McWaters has served as our President since 2000 and served on our board from 2002 to 2003. From 1984 to 2000, Ms. McWaters held several positions with UTI, including Vice President of Marketing and Vice President of Sales and Marketing. She is involved with the Women s Car Care Council, an organization dedicated to the needs of women in the automotive industry. Ms. McWaters received a BS in Business Administration from the University of Phoenix.

Jennifer L. Haslip has served as our Senior Vice President, Chief Financial Officer, Secretary and Treasurer since 2002. From 1998 to 2002, Ms. Haslip served as our Director of Accounting, Director of Financial Planning and Vice President of Finance. From 1993 to 1998, she was employed in public accounting at Toback CPAs P.C. Ms. Haslip received a BS in Accounting from Western International University. She is a certified public accountant in Arizona.

David K. Miller has served as our Senior Vice President of Admissions since 2002. From 1998 to 2002, Mr. Miller served as our Vice President of Campus Admissions. From 1979 to 1998, Mr. Miller served in various positions at MMI, including Admissions Representative, Admissions Director and National Director. Mr. Miller joined Motorcycle Mechanics Institute in 1979 as an education representative. He has served on the Board of the Arizona Private School Association and was a team leader for the Accrediting Commission. Mr. Miller received a BS in Marketing from Arizona State University. Mr. Miller is the nephew of John White, our Chief Strategic Planning Officer and Vice Chairman of our Board.

Roger L. Speer has served as our Senior Vice President of Operations/ Education since 2002. From 1988 to 2002, Mr. Speer held several positions with us, including Director of Graduate Employment at the UTI Phoenix Campus, Corporate Director of Graduate Employment, School Director of the UTI Glendale Heights Campus and Vice President of Operations. Mr. Speer received a BS in Human Resource Management from Arizona State University.

A. Richard Caputo, Jr. has served as a director on our board since 1997. Mr. Caputo has been a member and senior principal of The Jordan Company, LP, a private merchant banking firm, and its predecessors since 1990. Mr. Caputo is also a director of Safety Insurance Group, Inc. Mr. Caputo received a BA in Mathematical and Business Economics from Brown University.

Michael R. Eisenson has served as a director on our board since 2002. Mr. Eisenson is a managing director and Chief Executive Officer of Charlesbank Capital Partners, LLC, a private investment firm and the successor to Harvard Private Capital Group, which he joined in 1986. Mr. Eisenson is also a director of CCC Information Services Group, Inc., Playtex Products, Inc. and United Auto Group, Inc. He received a BA in Economics from Williams College and a JD and MBA from Yale University.

Roger S. Penske has served as a director on our board since 2002. Mr. Penske has served as Chairman of the Board and Chief Executive Officer of United Auto Group, Inc., a publicly-traded auto dealer, since 1999. Mr. Penske has also been Chairman of the Board and Chief Executive Officer of Penske Corporation since 1969. Mr. Penske serves as a director of General Electric Company, Delphi Corporation, Home Depot, Inc., CarsDirect.com, Inc. and United Auto Group, Inc.

Conrad A. Conrad has served as a director on our board since February 2004. Mr. Conrad has been employed with The Dial Corporation since August 2000 and currently serves as its Executive Vice President and Chief Financial Officer. From 1999 to 2000, Mr. Conrad was engaged in a number of personal business ventures, including providing consulting services to Pennzoil-Quaker State Company, which acquired Quaker State Corporation in December 1998. From 1974 to 1998, Mr. Conrad held various positions, most recently Vice Chairman and Chief Financial Officer, with Quaker State Corporation, a leading manufacturer of branded automotive consumer products and services. Mr. Conrad received an AB in Accounting from The College of William & Mary.

Kevin P. Knight has served as a director on our board since February 2004. Mr. Knight has served as Chairman of the Board since May 1999 of Knight Transportation, Inc., a short-to-medium haul, dry-van truckload carrier based in Phoenix, Arizona. Mr. Knight has served as Knight Transportation s Chief Executive Officer since 1993 and has been an officer and director of Knight Transportation since 1990. Mr. Knight has served as Chairman of the Arizona Motor Transport Association and a board member of the American Trucking Association.

Several members of our management, including Robert D. Hartman and John C. White, as well as one of our other directors, A. Richard Caputo, and one of our former directors, John W. Jordan, are also owners and managers of NTT Acquisition Corp. In September 2001, we sold our subsidiary, National Technology Transfer, Inc., to NTT Acquisition Corp. for nominal consideration of $1.00. See Certain Relationships and Related Transactions Transactions with Management and Others NTT Transaction. We advanced $600,000 to NTT Acquisition Corp. after the sale in exchange for NTT Acquisition Corp s unsecured promissory note. The loan was made to facilitate the transfer of payroll and related taxes and benefits, and other operating expenses, of National Technology Transfer, Inc. NTT Acquisition Corp. has not made any payments under the promissory note. During 2002, we recorded a full valuation allowance on the promissory note because collection under the note was uncertain.

Our Board of Directors

Our executive officers are appointed by the board on an annual basis and serve until their successors have been duly elected. There are no family relationships among any of our directors or executive officers, except that John C. White, our Vice Chairman and Chief Strategic Planning Officer, and David K. Miller, our Senior Vice President of Admissions, are uncle and nephew, respectively, of each other.

Terms of Directors and Executive Officers

Each director serves for a term of three years. The terms of office of the members of our board of directors are divided into three classes. Messrs. Conrad and Knight serve as Class I Directors (whose terms expire in 2004), Messrs. Penske and White serve as Class II Directors (whose terms expire in 2005), and Messrs. Caputo, Eisenson and Hartman serve as Class III Directors (whose terms expire in 2006). At each annual meeting of stockholders, the successors to directors whose terms will then expire will be elected to serve from the time of election and qualification until the third annual meeting following election. Any additional directorships resulting from an increase in the number of directors will be distributed among the three classes so that, as nearly as possible, each class will consist of one-third of the total number of directors. The classification of our board of directors may have the effect of delaying or preventing changes in control or management of our company.

Each executive officer is appointed by, and serves at the discretion of, our board of directors.

Committees of the Board

Our board has an audit committee, a compensation committee and a nominating and corporate governance committee. These committees are described below.

Audit Committee

The audit committee has the responsibility for overseeing, among other things:

- our accounting and financial reporting processes;
- the reliability of our financial statements;
- the effective evaluation and management of our financial risks;
- our compliance with laws and regulations; and
- the maintenance of an effective and efficient audit of our financial statements by a qualified independent auditor.

Messrs. Caputo, Conrad, Eisenson and Knight serve on our audit committee. The board has determined that each member of the audit committee is financially literate and that Messrs. Conrad, Eisenson and Knight satisfy the independence requirements of the New York Stock Exchange and the Securities and Exchange Commission. The audit committee is expected to have at least four regular meetings each year. The result of each meeting is reported at the next regular meeting of our board.

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Compensation Committee

The primary responsibility of the compensation committee is to develop and oversee the implementation of our philosophy with respect to the compensation of our officers. In that regard, the compensation committee has the responsibility for, among other things:

- developing and maintaining a compensation policy and strategy that creates a direct relationship between pay levels and corporate performance and returns to stockholders;
- recommending compensation and benefit plans to our board for approval;
- reviewing and approving annual corporate and personal goals and objectives to serve as the basis for the chief executive officer s compensation, evaluating the chief executive officer s performance in light of the goals and, based on such evaluation, determining the chief executive officer s compensation;
- determining the annual total compensation for our named executive officers;
- approving the grants of stock options and other equity-based incentives as permitted under our equity-based compensation plans;
- reviewing and recommending compensation for non-employee directors to our board; and
- reviewing and recommending employment agreements, severance arrangements and change of control plans that provide for benefits upon a change in control, or other provisions for our executive officers and directors, to our board.

Messrs. Caputo, Eisenson and Knight serve on the compensation committee and the board has determined that each member of the committee satisfies the independence requirements of the New York Stock Exchange. The compensation committee shall generally meet at least twice during each fiscal year.

Nominating and Corporate Governance Committee

The responsibilities of the nominating and corporate governance committee include the following:

- identify individuals qualified to serve as our directors;
- recommend qualified individuals for election to our board of directors at annual meetings of stockholders;
- recommend to our board the directors to serve on each of our board committees;
- recommend a set of corporate governance guidelines to our board;
- review periodically our corporate governance guidelines and recommend governance issues that should be considered by our board;
- review periodically our committee structure and operations and the working relationship between each committee and the board; and
- consider, discuss and recommend ways to improve our board s effectiveness.

Messrs. Caputo, Conrad and Penske serve on the nominating and corporate governance committee and the board has determined that each member of the Committee satisfies the independence requirements of the New York Stock Exchange.

Director Compensation

Each non-employee director receives a $20,000 annual retainer, an annual award of 1,000 shares of our common stock and $2,500 per board meeting attended in person or by telephone. In addition, each non-employee director receives reimbursement for out-of-pocket expenses, including travel expenses on commercial flights. Non-employee directors on committees of the board receive an additional payment of

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$1,000 for each committee meeting attended on a day other than the day of a board meeting for which that director has been compensated, subject to a $1,000 per day limit in the event the director participates in multiple committee meetings on the same day. The audit committee chairman receives an additional $10,000 annual retainer.

Executive Compensation

The table below sets forth summary information concerning the compensation awarded to our chief executive officer and our four most highly compensated executive officers other than our chief executive officer during our fiscal year ended September 30, 2003. The individuals listed below are referred to in this prospectus as our named executive officers.

Summary Compensation Table

		Annual Compensation		Long-Term Compensation
Name and Principal Position	Year	Salary	Bonus	Securities Underlying Options
Robert D. Hartman Chief Executive Officer and Co-Chairman of the Board	2003 2002 2001	$344,834 $260,000 $260,000	$393,200 $187,500	
John C. White Chief Strategic Planning Officer and Co-Chairman of the Board	2003 2002 2001	$343,495 $260,000 $260,000	$393,200 $187,500	
Kimberly J. McWaters President and Director	2003 2002 2001	$307,356 $258,654 $206,092	$193,200 $268,000 $101,250	
Jennifer L. Haslip Senior Vice President, Chief Financial Officer, Treasurer and Secretary	2003 2002 2001	$179,885 $162,479 $116,474	$ 73,750 $116,250 $ 50,625	
David K. Miller Senior Vice President of Admissions	2003 2002 2001	$219,385 $190,887 $180,897	$ 55,250 $ 43,896 $ 54,837	

Option Grants in 2003

The following table presents information concerning stock options granted during 2003 to our named executive officers who received a grant in fiscal 2003.

Individual Grants				Potential Realizable Value at Assumed Rate of Stock Price Appreciation for Option Term(1)		
Number of Shares Underlying Options Granted	Percent of Total Options Granted to Employees in Year	Exercise Price Per Share	Expiration Date	0%(2)	5%	10%

David K. Miller	32,625	21.7%	$7.31	February 25, 2013	$93,641	$152,532	$242,882

(1) Amounts reported in these columns represent amounts that may be realized upon exercise of the option immediately prior to the expiration of its term assuming the specified compound rates of appreciation (5% and 10%) in the market value of our common stock over the term of the option. These numbers are calculated based on rules promulgated by the Securities and Exchange Commission and do not reflect our estimate of future stock price growth. The gains shown are net of the option exercise price, but do not include deductions for taxes or other expenses associated with the exercise of the option or the sale of the underlying shares. The actual gains, if

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any, on the exercise of this stock option will depend on the future performance of our common stock, the optionholder s continued employment through the option period, and the date on which the option is exercised.

(2) The amount reported in this column is the amount by which the fair market value of the shares subject to the option exceeded the aggregate exercise price of the options.

In December 2003, in conjunction with our initial public offering, we granted options to our employees for an aggregate of 1,506,181 shares of our common stock. The exercise price of these options is $20.50 per share, which was equal to our initial public offering price. Our executive officers named above in the Summary Compensation Table received options to purchase an aggregate of 537,419 shares.

Option Exercises in Last Fiscal Year and Year-End Option Values

The following table presents information concerning the stock options exercised during the last fiscal year by each of our named executive officers and the fiscal year-end value of unexercised options held by each of our named officers as of September 30, 2003.

	Shares Acquired on Exercise	Value Realized(1)	Number of Shares Underlying Unexercised Options at Year-End		Value of Unexercised in-the-Money Options at Year-End(1)	
			Exercisable	Unexercisable	Exercisable	Unexercisable
Robert D. Hartman Chairman of the Board	181,936	$3,687,867				
John C. White Chief Strategic Planning Officer and Vice-Chairman of the Board	179,616	$3,640,832				
Kimberly J. McWaters President and Chief Executive Officer	3,938	$ 79,831	77,711	233,132	$1,251,409	$3,754,228
Jennifer L. Haslip Senior Vice President, Chief Financial Officer and Treasurer and Secretary			31,084	93,253	$ 500,564	$1,501,691
David K. Miller Senior Vice President of Admissions	15,467	$ 313,517		32,625		$ 430,253

(1) There was no public market for our common stock on September 30, 2003. Accordingly, these values have been calculated in accordance with the rules of the Securities and Exchange Commission, on the basis of the initial public offering price per share of $20.50, less the applicable exercise price.

Employment-Related Arrangements

Employment Agreements with Robert D. Hartman and John C. White. In April 2002, we entered into employment agreements with Robert Hartman and John White. Under the terms of the employment agreements, Messrs. Hartman and White have agreed to serve as Chief Executive Officer and Co-Chairman of the Board of Directors and Chief Strategic Planning Officer and Co-Chairman of the Board of Directors, respectively. Each of the employment agreements provides for an initial term ending September 30, 2006 and automatically renews successive one-year terms thereafter, subject to at least 90 days advance notice by either party of a decision not to renew the employment agreements. Messrs. Hartman and White are each entitled to receive an annual base salary of $312,500, subject to annual cost of living adjustments.

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Employment Agreement with Kimberly J. McWaters. In April 2002, we entered into an employment agreement with Kimberly McWaters to serve as our President. This agreement provides for an initial term ending March 31, 2005 and automatically renews for successive one-year terms thereafter, subject to at least 90 days advance notice by either party of a decision not to renew the employment agreement. Under the employment agreement, Ms. McWaters is entitled to receive an annual base salary of $280,000, subject to annual cost of living adjustments.

Employment Agreement with Jennifer Haslip. In November 2003, we entered into an employment agreement with Jennifer Haslip to serve as Chief Financial Officer. This agreement provides for an initial term ending April 1, 2005 and automatically renews for successive one-year terms thereafter, subject to 90 days advance notice by either party of a decision not to renew the employment agreement. Under the employment agreement, Ms. Haslip is entitled to receive an annual base salary of $195,000, subject to annual cost of living adjustments.

Provisions Common to Each Employment Agreement. Certain provisions are common to each of the employment agreements. For example, each employment agreement:

- provides that each executive may be paid an annual, performance-based bonus to be determined by our board of directors, in its sole discretion;

- specifies that each executive is entitled to certain perquisites, including reimbursement of expenses, paid vacations, health and medical reimbursement plan, a car allowance and automobile insurance and such other perquisites and benefits, including health, short- and long-term disability, pension and life insurance benefits for our executives and their families, established from time to time at the sole discretion of our board of directors;

- provides for our payment of severance compensation and benefits to the executives under certain circumstances, such as when the executive s employment is terminated by us other than for cause, as defined in the employment agreements, or by the executive if we materially breach the employment agreement or due to the executive s death or disability; and

- restricts the employee s disclosure and use of our confidential information, as defined in the employment agreement, and prohibit the employee from competing with us for a specified period following the termination of employment.

The board approves the operating budget for a given fiscal year and may award bonuses based upon achievement of established EBIT (earnings before interest and tax) targets. In addition, the board may award bonuses based upon additional factors, including but not limited to extraordinary performance or efforts by individuals, as the board may in its discretion determine from time to time.

Severance Agreements. We have entered into severance agreements with several of our executive officers and key employees. Each severance agreement provides for the payment of severance compensation and other benefits to the employee depending upon the circumstances of their termination of employment, such as if the employee is terminated by us without cause or if the employee leaves for good reason, in each case within 12 months after we have undergone a change in control, as that term is defined in the severance agreement. Each severance agreement also provides that:

- as a precondition to our payment of any severance compensation or benefits, the employee must execute a waiver and release that we provide to the employee;

- the amounts paid to or benefits received by the employee are subject to a downward adjustment so that the total payments to the employee due to a change in control do not constitute an excess parachute payment, as that term is defined in Section 280G of the Internal Revenue Code of 1986, as amended, or cause the employee to be required to pay an excise tax under Section 4999 of the Code; and

- the employee is not required to mitigate any amounts paid or benefits received under the severance agreement by seeking other employment or otherwise.

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As part of the consideration for our payment of the severance payments and benefits, the severance agreement provides that, for a period of 12 months after the termination of employment, the employee covenants not to compete directly or indirectly with us or directly or indirectly solicit, recruit or employ any persons or entities with whom we currently have business relationships, or have had such relationships within the 24 months prior to such solicitation, recruitment or employment.

Stock and Stock Option Plans

1997 Restricted Stock Plan. Our 1997 restricted stock plan was adopted by the board of directors and became effective in September 1997. A maximum of 1,022,250 shares of common stock may be issued under the plan to employees of our company, or the employees of any subsidiaries of our company, including officers and employee directors, or such employee s designee. The plan is administered by our compensation committee.

The term of the awards granted under the plan is set forth in each stock award agreement. Beginning on the date of grant, the participant, as owner of the shares, will have the right to vote his or her shares. The vesting schedule of all the awards under our 1997 restricted stock plan was accelerated with effect as of September 30, 1999.

As of March 31, 2004, we have awarded 983,735 shares of our common stock under the plan, all of which are vested. We do not intend to grant any additional awards under the plan.

Management 1999 Stock Option Program. Our 1999 stock option program was adopted by our board of directors and became effective in September 1999 to provide for the issuance of up to 469,800 shares of common stock upon exercise of options granted under the program. The program is administered by our compensation committee.

The program provides for the grant of incentive and non-qualified stock options to our employees, including officers and employee directors, and non-qualified stock options to other persons providing material services to our company or related companies. A non-employee director is not eligible to receive an award.

The term of the options granted under the program is set forth in each option agreement. The term of an option may not exceed the earlier of ten years and the date on which the optionee ceases to be an employee of, and to perform services for, us and/or related companies. Options granted under the program vest and become exercisable as set forth in each option agreement.

As of March 31, 2004, we have issued 469,800 shares of common stock upon the exercise of options granted under the program. No options under the program are outstanding and we do not intend to grant any additional options under the program.

Management 2002 Stock Option Program. Our 2002 stock option program was adopted by our board of directors and became effective in April 2002. A maximum of 783,000 shares of common stock may be issued under the program, which is administered by our compensation committee.

The program provides for the grant of incentive and non-qualified stock options to employees of our company and related companies, including officers and employee directors, and non-statutory options to other persons providing material services to our company or related companies. A non-employee director is not eligible to receive an award.

The term of the options granted under the program is set forth in each option agreement. However, the term of an option may not exceed the earlier of ten years and the date on which the optionee ceases to be an employee of, and to perform services for, our company and/or related companies. Options granted under the program vest over a four-year period and become exercisable as set forth in each option agreement.

No incentive stock options may be granted to an optionee, which, when combined with all other incentive stock options becoming exercisable in any calendar year that are held by that optionee, would have an aggregate fair market value in excess of $100,000. In the event an optionee is awarded $100,000 in incentive stock options in any calendar year, any further stock options granted during the same year shall be treated as non-qualified stock options.

As of March 31, 2004, we have issued 12,000 shares of common stock upon the exercise of options granted under the program. In addition, 744,690 shares of our common stock are issuable pursuant to options granted under the program, at a weighted average exercise price of $5.62 per share. We do not intend to grant any additional options under the program.

2003 Stock Incentive Plan. Our 2003 stock incentive plan, which we refer to in this prospectus as the incentive plan, was adopted by our board of directors and approved by holders of the majority voting power of our stock and became effective in December 2003. The incentive plan is administered by the compensation committee. The committee has the power to determine eligibility to receive awards, the types and number of shares of stock subject to the awards, the price and timing of awards and the acceleration or waiver of any vesting, and performance or forfeiture restriction. The compensation committee, however, does not have the authority to waive any performance restrictions for performance-based awards. As used in reference to the incentive plan, the term administrator means the compensation committee.

Participants. Any of our employees, our non-employee directors, consultants and advisors to us, as determined by the compensation committee may be selected to participate in the incentive plan. We may award these individuals with one or more of the following:

- stock options;
- stock appreciation rights;
- restricted stock awards;
- performance shares; and
- performance-based awards.

Stock options. Stock options may be granted under the incentive plan, including incentive stock options, as defined under Section 422 of the Internal Revenue Code, as amended (Code), and nonqualified stock options. The option exercise price of all stock options granted under the incentive plan will be determined by the administrator, except that any incentive stock option or any option intended to qualify as performance-based compensation under Code Section 162(m) will not be granted at a price that is less than 100% of the fair market value of the stock on the date of grant. Stock options may be exercised as determined by the administrator, but in no event after the tenth anniversary date of grant.

Upon the exercise of a stock option, the purchase price must be paid in full in either cash or its equivalent or by tendering previously acquired shares of our common stock with a fair market value at the time of exercise equal to the exercise price, provided such shares have been held for at least six months prior to tender. The administrator may also allow a broker-assisted cashless exercise or by any other means that it determines to be consistent with the purpose of the incentive plan and as permitted under applicable law.

Stock appreciation rights (SAR). SAR entitles a participant to receive a payment equal in value to the difference between the fair market value of a share of stock on the date of exercise of the SAR over the grant price of the SAR. The administrator may pay that amount in cash, in shares of our common stock, or a combination. The terms, methods of exercise, methods of settlement, form of consideration payable in settlement, and any other terms and conditions of any SAR will be determined by the administrator at the time of the grant of award and will be reflected in the award agreement.

Restricted stock. A restricted stock award is the grant of shares of our common stock at a price determined by the administrator (including zero), that is nontransferable and is subject to substantial

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risk of forfeiture until specific conditions or goals are met. Conditions may be based on continuing employment or achieving performance goals. During the period of restriction, participants holding shares of restricted stock may, if permitted by the administrator, have full voting and dividend rights with respect to such shares. The restrictions will lapse in accordance with a schedule or other conditions determined by the administrator.

Performance shares. A performance share award is a contingent right to receive pre-determined shares of our common stock if certain performance goals are met. The value of performance units will depend on the degree to which the specified performance goals are achieved but are generally based on the value of our common stock. The administrator may, in its discretion, pay earned performance shares in cash, or stock, or a combination of both.

Performance-based awards. Grants of performance-based awards enable us to treat restricted stock and performance share awards granted under the incentive plan as performance-based compensation under Section 162(m) of the Code and preserve the deductibility of these awards for federal income tax purposes. Because Section 162(m) of the Code only applies to those employees who are covered employees, as defined in Section 162(m) of the Code, only covered employees are eligible to receive performance-based awards.

Participants are only entitled to receive payment for a performance-based award for any given performance period to the extent that pre-established performance goals set by the administrator for the period are satisfied. These pre-established performance goals must be based on one or more of the following performance criteria: pre- or after-tax net earnings, sales or revenue, operating earnings, operating cash flow, return on net assets, return on stockholders equity, return on assets, return on capital, stock price growth, stockholder returns, gross or net profit margin, earnings per share, price per share, and market share. These performance criteria may be measured in absolute terms or as compared to any incremental increase or as compared to results of a peer group. With regard to a particular performance period, the administrator will have the discretion to select the length of the performance period, the type of performance-based awards to be granted, and the goals that will be used to measure the performance for the period. In determining the actual size of an individual performance-based award for a performance period, the administrator may reduce or eliminate (but not increase) the award. Generally, a participant will have to be employed on the date the performance-based award is paid to be eligible for a performance-based award for that period.

Shares reserved for issuance. Subject to certain adjustments, we may issue a maximum of 4,430,972 shares of our common stock, including shares of common stock that may be issued upon the exercise of options, under the incentive plan. The maximum number of shares of common stock that may be subject to one or more awards to a participant under the incentive plan during any fiscal year is 1,000,000. The maximum number of shares of common stock payable in the form of performance-based awards to any one participant for a performance period is 1,000,000.

As of March 31, 2004, 1,487,743 shares of our common stock are issuable pursuant to options granted under the incentive plan, at a weighted average exercise price of $20.74, and 2,943,229 shares remain available for future option grants under the incentive plan.

Change of control. The incentive plan provides that all awards granted under the incentive plan will become fully exercisable and all restrictions on awards will lapse if there is a change of control and the optionholder s employment is terminated without cause by us, or for good reason by the optionholder, within one year of the effective date of the change of control. The term change of control under the incentive plan is generally defined to include (1) the acquisition of at least 50% of our voting securities by any person, (2) certain changes in the composition of our board of directors, (3) a merger or consolidation in which our stockholders own less than 50% of the voting securities of the surviving entity, (4) stockholder approval of a liquidation or dissolution of our company and (5) a transfer of all or substantially all of our assets.

Amendment and termination. The administrator, with the board s approval, may terminate, amend, or modify the stock incentive plan at any time; however, stockholder approval will be obtained for any amendment to the extent necessary and desirable to comply with any applicable law, regulation or stock exchange rule. We may not make any grants under the incentive plan after September 2013.

2003 Employee Stock Purchase Plan. We sponsor an employee stock purchase plan that permits eligible employees (as defined in the employee stock purchase plan) to purchase up to 10% of an employee s annual base and overtime pay at a price of no less than 85% of the price per share of our common stock either at the beginning or the end of the six-month offering period, whichever is less. The compensation committee of our board of directors administers the employee stock purchase plan. Our board may amend or terminate the plan. The employee stock purchase plan complies with the requirements of Section 423 of the Code.

Deferred Compensation Agreements. We have entered into deferred compensation agreements with seven of our employees, providing for the payment of deferred compensation to each employee in the event that the employee becomes no longer employed by us. Under each agreement, the employee shall receive an amount equal to the compensation the employee would have earned if the employee had repeated the employment performance of the prior twelve months. We will pay the deferred compensation in a lump sum or over the period in which the employee would typically have earned the compensation had the employee been actively employed, at our option. Our total commitment under the deferred compensation agreements was $1.5 million as of September 30, 2003.

Executive Benefit Plan. We sponsor the Universal Technical Institute Executive Benefit Plan that is designed to attract and retain competent executives and key employees. Under the plan, eligible employees may contribute base pay as well as all or any part of their annual bonus on a tax-deferred basis into the plan. We may elect to make matching contributions on an annual basis. All employee deferrals and employer matches are fully vested when deferred and matched. We also provide eligible employees with individual life insurance coverage at no cost to them. The plan is an unfunded plan and, as such, is exempt from the participation and funding requirements of the Employee Retirement Income Security Act of 1974. As of September 30, 2003, the obligation for deferred compensation under the plan totaled approximately $0.9 million. The plan assets held to fund the deferred compensation liability are included in our financial statements under Other Assets and represent the cash surrender value of life insurance. This value was $0.2 million at September 30, 2003.

401(k) Plan

We maintain a plan qualified under Section 401(k) of the Internal Revenue Code. Under our 401(k) plan, a participant may contribute a maximum of 50% of his or her pre-tax salary, commissions and bonuses through payroll deductions, up to the statutorily prescribed annual limit ($13,000 in calendar year 2004). The percentage elected by more highly compensated participants may be required to be lower. In addition, at the discretion of our board of directors, we may make discretionary matching and/or profit-sharing contributions into our 401(k) plan for eligible employees.

Compensation Committee Interlocks and Insider Participation

None of our executive officers has served as a director or member of the compensation committee of any other entity whose executive officers served as a director or member of our compensation committee.

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CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS

Management Consulting Agreement

In 1997, we engaged in a leveraged recapitalization with the assistance of The Jordan Company, LLC, a New York-based private merchant banking firm that specializes in buying and building companies in partnership with management. In connection with that transaction, we entered into a management consulting agreement with TJC Management Corporation (Jordan Management), an affiliate of The Jordan Company. In April 2002, the management consulting agreement was amended to include Worldwide Training Group, LLC (Worldwide) and Charlesbank Capital Partners, LLC (Charlesbank) as additional consultants, as such term is defined in the agreement, in connection with their purchase of our series D preferred stock.

The management consulting agreement was terminated in December 2003, when we completed our initial public offering. Prior to its termination, the management consulting agreement provided that Jordan Management, Worldwide and Charlesbank would render consulting services to us in connection with financial and business affairs, relationships with lenders, stockholders and other third parties, and the expansion of our business. Under the agreement, we were required to pay these consultants an aggregate management fee, in quarterly installments due at the end of each fiscal quarter, equal to the greater of $300,000 or 2.5% of our EBITDA earnings, as defined in the agreement, for our preceding fiscal year.

In addition to the management fee, the agreement also provided for an investment banking fee in connection with stock or asset acquisitions or dispositions by us and a financial consulting fee in connection with any debt or equity financings that we consummated. The table below sets forth the payments we made under the management consulting agreement in the prior three fiscal years:

	2001	2002	2003
Jordan Management	$250,000	$2,348,949(1)	$314,060
Worldwide		$ 111,321	$329,763
Charlesbank		$ 47,709	$141,327

(1) Reflects fees for services rendered from 1998 through 2002, a portion of which were deferred pursuant to an agreement between Jordan Management and us. These fees include $900,000 related to the acquisition of National Technology Transfer, Inc. in 1998, $100,000 related to obtaining a credit agreement amendment in 1999 and $1,348,949 for ongoing consulting services related to financial and business affairs.

Prior to completion of our initial public offering, we paid a management fee, on a pro-rated basis, for the first quarter of our 2004 fiscal year, as follows: $91,689 to Jordan Management; $96,274 to Worldwide; and $41,260 to Charlesbank.

Registration Rights Agreement

We are a party to a registration rights agreement with the following stockholders: (i) JZ Equity Partners plc and the permitted transferees of The Jordan Company, LLC (collectively, the TJC Shareholders); (ii) Charlesbank Voting Trust, Charlesbank Equity Fund V, Limited Partnership, CB Offshore Equity Fund V, L.P., CB Equity Co-investment Fund V, Limited Partnership and Coyote Training Group, LLC (collectively, the Charlesbank Shareholders), (iii) Worldwide Training Group, LLC; (iv) Whites Family Company, LLC; and (v) Robert D. Hartman. Pursuant to the registration rights agreement, each of the TJC Shareholders, the Charlesbank Shareholders and Worldwide Training Group, LLC shall have one demand registration right. Pursuant to this demand right, at any time after June 13, 2004, any of the TJC Shareholders, the Charlesbank Shareholders and Worldwide Training Group, LLC may request that we file a registration statement under the Securities Act of 1933 to cover the restricted shares of our common stock that they own, as long as the aggregate offering price for the proposed transaction to be registered is greater than $25.0 million or represents an offering of at least 10% of our outstanding common stock. Upon receipt of such request, we generally will be required to use our best efforts to effect such registration. We will not be required to effect a requested registration, however, if we have effected one such registration which is still in effect, or if the request is made within 360 days following the effective date of any registered offering we have made to the general public in which a holder of restricted stock, as defined in the registration rights agreement, shall have been able to effectively register all the restricted stock as to which registration has been requested. We may also delay filing a registration statement or withhold efforts to cause a registration statement to become effective if our board of directors determines in good faith that such registration statement will materially and adversely interfere with or affect the negotiation or completion of any material transaction we are considering or will involve initial or continuing disclosure obligations that are not in our stockholders best interests.

The registration rights agreement also provides for piggyback registration rights with respect to the restricted shares of our common stock held by each of the stockholders party to this agreement, including Robert D. Hartman, our Chairman of the Board, and Whites Family Company, LLC, an entity controlled by John White, our Chief Strategic Planning Officer and Vice Chairman. Accordingly, if we propose to register, or are required to register following the exercise of a demand registration right as described above, any of our common stock for sale to the public, we are required to give written notice of our intention to do so to each of the stockholders who is a party to this agreement and to use our best efforts to include in the registration statement the number of restricted shares of our common stock beneficially owned and requested to be registered by such stockholders, subject to reduction of such shares under certain circumstances by an underwriter. If a reduction of shares is necessary, stockholders who request to participate in the registration will do so pro rata based on the numbers of shares held by such stockholders on a fully-diluted basis, except that we will have first priority to register shares of our common stock if we initiate the registration for our own account.

In connection with this offering, our directors and executive officers and selling stockholders in this offering entered into 90-day lock-up agreements at the request of the underwriters. The lock-up agreements of our executive officers, other than John White, allow them, after June 22, 2004, to sell shares of our common stock beneficially owned by them pursuant to a plan that meets the requirements of Rule 10b5-1 under the Securities Exchange Act of 1934, provided that the requirements of Rule 144 are met. This offering is not being made pursuant to a demand or piggyback registration right under the registration rights agreement.

Transactions with Management and Others

Senior Subordinated Notes Payable by Us. Pursuant to a purchase agreement dated as of January 23, 1998 between us and JZ Equity Partners plc, formerly known as MCIT plc, we issued two senior subordinated notes to JZ Equity Partners plc. These notes were issued in an aggregate principal amount of $15.4 million, bore interest at an annual rate of 13.5% and were due on January 1, 2008. Pursuant to the same purchase agreement, on October 30, 1998 we issued a senior subordinated note in the amount of $4.0 million due October 31, 2006 and bearing an annual interest rate of 13.5%. We repaid these three notes in full, including the associated accrued interest, in April 2002, concurrently with the closing of our series D preferred stock offering. JZ Equity Partners is an investment trust listed on the London Stock Exchange. Its principal business is to invest, primarily in the United States, in debt and equity securities recommended by Jordan/Zalaznick Advisers, Inc., its sole investment adviser and an affiliate of The Jordan Company.

Subordinated Promissory Notes Payable by Us. In addition to the senior subordinated notes described above, we also issued on September 30, 1997 separate subordinated promissory notes in favor of a group of our officers and employees, including Robert Hartman, John White, Kimberly McWaters, Roger Speer and David Miller, and CHC I, Inc. These notes aggregated $4.0 million in original principal amount, had an annual interest rate of 13.5% and were due on January 31, 2008. CHC I, Inc. is controlled by John C. White. We repaid these notes, including the accrued interests in April 2002, concurrently with the closing of our series D preferred stock offering.

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Loans to and from Insiders. In 1997, we made restricted stock awards to 15 of our employees and officers, including Robert Hartman, Kimberly McWaters, Roger Speer and David Miller, pursuant to our 1997 Restricted Stock Plan. Each of them executed a promissory note in our favor as payment for the restricted shares received. The aggregate principal amount of the notes executed by these four officers was approximately $115,000, plus interest accruing at an annual rate of 6.25%. Robert Hartman, Kimberly McWaters, Roger Speer and David Miller have repaid these notes in full, including all accrued interest.

In September 1997, we issued a promissory note in the principal sum of approximately $4.0 million in favor of Whites Family Company, LLC, an entity controlled by John C. White, at an annual interest rate of approximately 6.6% and due in September 2023. In August 2003, we repaid this note in full, including all accrued interest. Immediately following this repayment, Whites Family Company, LLC remitted to us approximately $4.0 million in satisfaction of the principal amount of, and accrued interest on, a subscription note receivable bearing interest at approximately 6.1%.

In June 2003, Robert Hartman, Kimberly McWaters, Roger Speer, David Miller and an entity affiliated with John White and the assignee of his options purchased shares of our common stock pursuant to their respective exercises of vested options granted under our Management 1999 Stock Option Program. Each of the optionees executed a note in our favor in payment for their respective shares of our common stock received pursuant to the exercise. The aggregate of the obligations under these notes was approximately $91,000, and interest accrued under these notes at an annual rate of 6.0%. These notes and related interest have been paid in full.

The Preferred Share Exchange. Immediately prior to our initial public offering, we had shares of our series A, series B and series C preferred stock issued and outstanding which were held by a total of 20 persons or entities consisting of investors, employees and officers, including Robert Hartman, John White and Kimberly McWaters. The three series of preferred stock were not convertible by their terms into common stock. During December 2003, we offered to exchange the outstanding shares of preferred stock for shares of our common stock. We then redeemed all shares of preferred stock that were not tendered for exchange and paid all the accrued and unpaid dividends on all of our preferred stock (whether or not exchanged for common stock pursuant to our exchange offer) with a portion of the proceeds of our initial public offering. As a result of the share exchange, Robert Hartman received 43,371 shares, John White received 214,882 shares and Kimberly McWaters received 975 shares of our common stock. Based on the initial public offering price of $20.50 per share, the dollar values of such shares for Robert Hartman, John White and Kimberly McWaters were $889,106, $4,405,081 and $19,988, respectively.

Declaration of Cash Dividend. In September 2003, our board of directors declared, and we paid, a cash dividend on the shares of our common stock payable to the record holders as of August 25, 2003. Charlesbank and Worldwide, the record holders of our series D preferred stock, were entitled to receive, upon conversion of the series D preferred stock to common stock, such cash dividend, pro rata and on an as-converted basis, pursuant to certain provisions of the certificate of designation of the series D preferred stock. Our certificate of incorporation was amended to permit the holders of series D preferred stock to be paid the dividend prior to the conversion and simultaneously with holders of our common stock, and the holders of our series A, series B and series C preferred stock consented to such payment. The aggregate amount of the cash dividend was $5.0 million and was paid out among Charlesbank ($1.2 million), Worldwide ($1.0 million), JZEP ($0.7 million), executives of and consultants to The Jordan Company ($0.7 million), Robert D. Hartman ($0.5 million), John C. White ($0.5 million) and other members of our management (approximately $0.3 million, in aggregate) by virtue of their ownership of our common stock. All issued and outstanding shares of our series D preferred stock were converted into an equivalent number of shares of common stock upon the consummation of our initial public offering pursuant to the terms of the series D preferred stock.

NTT Transaction. In June 1998, we acquired National Technology Transfer, Inc. (NTT) and Performance Training Associates, Inc. (PTA), a wholly-owned subsidiary of NTT at the acquisition date. NTT is engaged in technical training that presents hands-on, equipment-intensive training seminars to the

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maintenance, repair and operations sectors of our industry. PTA organized lecture training seminars in markets similar to those in which NTT is active. The acquisition of NTT and PTA was completed for approximately $50.2 million, comprised of the $37.8 million we borrowed under our senior credit facilities to finance the acquisition, our issuance of a $5.2 million subordinated convertible promissory note payable to the former NTT and PTA shareholder, our issuance of a $5.4 million 60-day note payable to the former NTT and PTA shareholder and $1.8 million in transaction costs. PTA was subsequently merged into NTT. In September of 2001, we sold our interest in NTT to NTT Acquisition Corp. for a nominal consideration of $1.00 because contemplated synergies did not materialize and operating results were less than desired.
NTT Acquisition Corp. is owned by certain of our stockholders, including affiliates of The Jordan Company, LLC, such as one of our directors, A. Richard Caputo, and an entity controlled by one of our directors, John W. Jordan, as well as our management, including Robert D. Hartman and John C. White, who serve on our board of directors. We reported the operating results of NTT and the loss on disposal as discontinued operations. In addition, we advanced $0.6 million to NTT Acquisition Corp. subsequent to the sale of NTT, in exchange for a note receivable in order to facilitate the transition of payroll services and the payment of related taxes, benefits and other operating expenses. This note has not been repaid. In 2002, we recorded a full valuation allowance because collection was uncertain.

Leases. We lease some of our properties from entities controlled by John C. White, our Chief Strategic Planning Officer and Vice Chairman of our board of directors. A portion of the property comprising our Orlando location is occupied pursuant to a lease with the John C. and Cynthia L. White 1989 Family Trust, with the lease term expiring on August 19, 2022. The annual base lease payments for the first year under this lease total approximately $326,000, with annual adjustments based on the higher of (i) an amount equal to 4% of the total annual rent for the immediately preceding year or (ii) the percentage of increase in the Consumer Price Index. Another portion of the property comprising our Orlando location is occupied pursuant to a lease with Delegates LLC, an entity controlled by the White Family Trust, with the lease term expiring on July 1, 2016. The beneficiaries of this trust are Mr. White s children, and the trustee of the trust is not related to Mr. White. Annual base lease payments under this lease are approximately $680,000, with annual adjustments based on the higher of (i) an amount equal to 4% of the total annual rent for the immediately preceding year or (ii) the percentage of increase in the Consumer Price Index. Additionally, we lease two of our Phoenix properties under one lease from City Park LLC, a successor in interest of 2844 West Deer Valley L.L.C. and in which the John C. and Cynthia L. White 1989 Family Trust holds a 25% interest. The lease expires on February 28, 2015, and the annual base lease payments under this lease, as amended, are approximately $463,000, with annual adjustments based on the higher of (i) an amount equal to 4% of the total annual rent for the immediately preceding year or (ii) the percentage of increase in the Consumer Price Index. The table below sets forth the total payments that we made in fiscal 2001, 2002 and 2003 under these leases:

	City Park LLC	John C. and Cynthia L. White 1989 Family Trust	Delegates LLC
Fiscal 2001	$447,795	$299,597	$404,912
Fiscal 2002	$462,567	$364,508	$644,715
Fiscal 2003	$495,040	$399,901	$796,015

We believe that the rental rates under these leases approximate the fair market rental value of the properties at the time the lease agreements were negotiated.

Other Related Party Transactions. In 2000, we engaged a consulting firm for services related to strategic change management. We learned about the consulting firm through Shirley Richard, who was a member of our Advisory Board from 1994 until she joined us in May 2003 as our Senior Vice President, Strategic Change Management. Ms. Richard received approximately $116,400 in 2001 from the consulting firm for services rendered. Ms. Richard has no equity ownership in the consulting firm and has not had any financial relationship with the consulting firm other than that described above.

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PRINCIPAL AND SELLING STOCKHOLDERS

The following table sets forth information regarding the beneficial ownership of our common stock as of March 31, 2004, and as adjusted to reflect the sale of shares in the offering by:

each person known to us to beneficially own more than 5% of the outstanding shares of common stock;

each of the executive officers identified in the summary compensation table;

each of our directors;

all directors and executive officers as a group; and

each selling stockholder.

To our knowledge, each selling stockholder purchased the shares of our stock in the ordinary course of business and, at the time of the securities to be resold, the selling stockholder had no agreements or understandings, directly or indirectly, with any person to distribute the securities. Footnote 1 below provides a brief explanation of what is meant by the term beneficial ownership.

	Before Offering			After Offering	
Name of Beneficial Owner[(1)]	Number of Shares of Common Stock Beneficially Owned	Percent of Common Stock Beneficially Owned	Number of Shares Offered in This Offering	Number of Shares of Common Stock Beneficially Owned	Percent of Common Stock Beneficially Owned
Selling Stockholders:					
Worldwide Training Group, LLC[(2)]	3,323,145	11.9%	1,504,941	1,818,204	6.5%
Charlesbank Equity Fund V, Limited Partnership[(3)]	2,413,555	8.6	1,093,018	1,320,537	4.8
CB Offshore Equity Fund V, L.P. [(3)]	339,499	1.2	153,748	185,751	*
Charlesbank Equity Coinvestment Fund V, Limited Partnership[(3)]	34,517	*	15,632	18,885	*
Charlesbank Coinvestment Partners, Limited Partnership[(3)]	3,022	*	1,369	1,653	*
Coyote Training Group, LLC[(3)]	939,162	3.4	425,315	513,847	1.9
Leucadia Investors, Inc.[(4)]	508,074	1.8	232,146	275,928	1.0
John W. Jordan, II Revocable Trust[(4)]	544,714	1.9	248,888	295,826	1.1
David W. Zalaznick[(4)]	435,772	1.6	199,110	236,662	*
Jonathan F. Boucher[(4)]	373,519	1.3	170,666	202,853	*
A. Richard Caputo[(4)(5)]	348,782	1.2	140,000	208,782	*
Adam E. Max[(4)]	278,226	1.0	127,125	151,101	*
The Lowden Family Trust[(4)]	109,021	*	2,358	106,663	*
John R. Lowden[(4)]	87,380	*	87,380		*
Douglas J. Zych[(4)]	35,869	*	16,389	19,480	*
Paul Rodzevik[(4)]	23,913	*	10,926	12,987	*
James E. Jordan, Jr. Profit Sharing Plan[(4)]	5,977	*	2,731	3,246	*
JZ Equity Partners plc[(6)]	2,032,296	7.3	928,584	1,103,712	4.0
Phillip C. Christner[(7)]	117,815	*	14,783	103,032	*
Joseph Cutler[(7)]	151,813	*	19,674	132,139	*
Dennis L. Hendrix[(7)]	35,344	*	4,435	30,909	*

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	Before Offering			After Offering	
Name of Beneficial Owner[1]	Number of Shares of Common Stock Beneficially Owned	Percent of Common Stock Beneficially Owned	Number of Shares Offered in This Offering	Number of Shares of Common Stock Beneficially Owned	Percent of Common Stock Beneficially Owned
Jeffrey L. Muecke[7]	408,999	1.5	52,174	356,825	1.3
Thomas J. Nelmark[7]	70,143	*	9,152	60,991	*
Randall R. Smith[7]	174,113	*	21,087	153,026	*
Sherrell Smith[7]	116,662	*	14,891	101,771	*
Randal Whitman[7]	81,782	*	3,478	78,304	*
Directors and Executive Officers:					
Robert D. Hartman[8][9]	2,583,185	9.2		2,583,185	9.2
John C. White[8][10]	2,654,425	9.5		2,654,425	9.5
Kimberly J. McWaters[8][11]	262,533	*		262,533	*
Jennifer L. Haslip[8][12]	63,168	*		63,168	*
David K. Miller[8][13]	113,733	*		113,733	*
Roger L. Speer[8][14]	239,266	*		239,266	*
A. Richard Caputo, Jr.[5]	348,782	1.2	140,000	208,782	*
Michael R. Eisenson[15]	3,729,755	13.3	1,689,082	2,040,673	7.3
Roger S. Penske[16]	3,324,145	11.9	1,504,941	1,819,204	6.5
Conrad A. Conrad[8]	1,000	*		1,000	*
Kevin P. Knight[8]	7,000	*		7,000	*
All executive officers and directors as a group (11 persons)	13,308,148	47.5%	3,334,023	9,974,125	35.6%

* Less than 1% of the outstanding common stock.

(1) Beneficial ownership is a term broadly defined by the Securities and Exchange Commission in Rule 13d-3 under the Exchange Act, and includes more than the typical forms of stock ownership, that is, stock held in the person s name. The term also includes what is referred to as indirect ownership, meaning ownership of shares as to which a person has or shares investment or voting power. For purposes of this table, a person or group of persons is deemed to have beneficial ownership of any shares as of a given date that such person or group has the right to acquire within 60 days after such date.

(2) Shares beneficially owned prior to the offering consist of 3,323,145 shares held of record by Worldwide Training Group, LLC. Shares to be beneficially owned after this offering consist of 1,818,204 shares of common stock held of record by Worldwide Training Group. Roger S. Penske, a member of our board of directors and a managing member of Penske Capital Partners, L.L.C., which is the managing member of Worldwide Training Group, LLC, has shared voting and investment power over the shares held by Worldwide Training Group, LLC. The address of the principal business office of Worldwide Training Group, LLC is 2555 Telegraph Road, Bloomfield Hills, MI 48302.

(3) Based on information provided in the Schedule 13G filed with the Securities and Exchange Commission on February 16, 2004 by Charlesbank Equity Fund V, Limited Partnership and certain of its affiliates. Other entities included in the Schedule 13G that are also selling stockholders in this offering are: CB Offshore Equity Fund V, L.P.; Charlesbank Equity Coinvestment Fund V, Limited Partnership; Charlesbank Coinvestment Partners, Limited Partnership; and Coyote Training Group, LLC (collectively, Charlesbank). Charlesbank Capital Partners, LLC is the general partner of Charlesbank Equity Fund V GP, Limited Partnership, which is the general partner of the Charlesbank Equity Fund V, Limited Partnership. Charlesbank Equity Fund V, Limited Partnership is the record holder of 2,413,555 shares of common stock and is the managing member of Coyote Training Group, LLC, and as such may be deemed to beneficially own the 939,162 shares of common stock held of record by Coyote Training Group, LLC, and disclaims beneficial ownership of the Coyote Training Group shares, other than its pecuniary interest therein. Shares beneficially owned prior to this offering by Charlesbank consist of 3,729,755 shares of our common stock held of record by Charlesbank. Shares to be beneficially owned

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by Charlesbank after the offering consist of 2,040,673 shares of our common stock held of record by Charlesbank. Mr. Michael Eisenson, a member of our board of directors, is a managing director and Chief Executive Officer of Charlesbank Capital Partners, LLC and has shared voting and investment power over all 2,040,673 shares of our common stock that will be held of record by Charlesbank after this offering. Mr. Eisenson disclaims his beneficial ownership of the shares held by Charlesbank, other than his pecuniary interest therein. The business address for Charlesbank is 600 Atlantic Avenue, 26th Floor, Boston, Massachusetts 02210.

(4) Recipient of shares of our common stock that were distributed out of the former TJC Voting Trust that dissolved subsequent to the completion of our initial public offering on December 22, 2003.

(5) A. Richard Caputo has served as a member of our board of directors since September 1997 and served as our vice president from September 1997 through February 2003. Mr. Caputo is a senior principal of The Jordan Company, LP. Mr. Caputo s business address is 767 Fifth Avenue, 48th Floor, New York, New York 10153.

(6) JZ Equity Partners plc is an investment trust listed on the London Stock Exchange. Its business is to invest, primarily in the United States, in debt and equity securities recommended by Jordan/ Zalaznick Advisers, Inc., a Delaware corporation based in New York, that is its sole investment advisor. JZ Equity Partners plc is governed by a board of independent directors who have sole voting and investment power over the shares held by JZ Equity Partners plc. JZ Equity Partners plc purchased the shares in the ordinary course of business and, at the time of the purchase of the shares to be resold, had no agreements or understandings, directly or indirectly, with any person to distribute the shares. JZ Equity Partners plc has its business address at 17a Curzon Street, London, W1J 5HS England.

(7) Current employee of UTI, except Phillip C. Christner, who is a former employee of UTI.

(8) Unless otherwise noted, the business address for each of the executive officers and directors is 20410 N. 19th Avenue, Suite 200, Phoenix, Arizona 85027.

(9) Includes 1,489,369 shares of common stock held by The Robert and Janice Hartman Family Trust, of which Robert D. Hartman is a trustee; 217,500 shares of our common stock held of record by the Robert D. Hartman and Janice W. Hartman 1998 Charitable Remainder UniTrust, of which Robert D. Hartman is a trustee; 857,472 shares of our common stock held of record by Hartman Investments Limited Partnership, of which Robert D. Hartman is a general partner; and 18,844 shares of common stock held of record in the UTI Tax-Deferred Trust, of which Mr. Hartman is a trustee. Mr. Hartman disclaims his shared beneficial ownership of the shares held of record by the UTI Tax-Deferred Trust other than his pecuniary interest therein. Mr. Hartman has shared voting and investment power as to 2,583,185 shares. Mr. Hartman is Chairman of our board of directors.

(10) Includes 2,547,111 shares of common stock held of record by Whites Family Company, LLC and 107,314 shares held of record by John C. White and Cynthia L. White 1989 Family Trust, of which John C. White is a trustee. The White Descendants Trust u/a/d September 10, 1997 is the sole member and manager of Whites Family Company, LLC. John C. White is the trustee of the White Descendants Trust u/a/d September 10, 1997. Mr. White has sole voting and investment power over the 2,547,111 shares and has shared voting and investment power over 107,314 shares. Mr. White is not the trustee of the Whites Family Trust and does not have any direct or indirect voting or investment power over the shares held by the trust. Therefore, Mr. White disclaims his beneficial ownership with respect to the 185,005 shares held of record by the White Family Trust. Mr. White is our Chief Strategic Planning Officer and Vice Chairman of our board of directors.

(11) Includes options to purchase 155,421 shares of our common stock exercisable by Kimberly J. McWaters within 60 days of March 31, 2004 and 18,844 shares of common stock held of record by the UTI Tax-Deferred Trust, of which Ms. McWaters is a trustee. Ms. McWaters disclaims her beneficial ownership of the shares held of record by the UTI Tax-Deferred Trust other than her pecuniary interest therein. Ms. McWaters has sole voting and investment power over 243,689 shares and shared voting and investment power over 18,844 shares. Ms. McWaters is our President and Chief Executive Officer.

(12) Includes options to purchase 50,168 shares of our common stock exercisable by Jennifer L. Haslip within 60 days of March 31, 2004. Ms. Haslip has sole voting and investment power over 63,168 shares. Ms. Haslip is our Senior Vice President, Chief Financial Officer, Treasurer and Secretary.

(13) Includes options to purchase 8,156 shares of our common stock exercisable by David K. Miller within 60 days of March 31, 2004. Mr. Miller has sole voting and investment power over 113,733 shares. Mr. Miller is our Senior Vice President of Admissions.

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(14) Shares beneficially owned before the offering include options to purchase 62,168 shares of our common stock exercisable by Roger Speer within 60 days of March 31, 2004. Mr. Speer has sole voting and investment power over 239,266 shares of our common stock. Mr. Speer is our Senior Vice President of Operations.

(15) Michael R. Eisenson has served as a member of our board of directors since April 2002, and is a managing director and Chief Executive Officer of Charlesbank Capital Partners, LLC. As previously disclosed in footnote 3 above, Mr. Eisenson has shared voting and investment power over all 2,040,673 shares of our common stock that will be held of record by Charlesbank Equity Fund V, Limited Partnership and the other entities identified in footnote 3 after this offering. Mr. Eisenson disclaims his beneficial ownership of the shares held of record by these entities, other than his pecuniary interest therein. The business address for Mr. Eisenson is 600 Atlantic Avenue, 26th Floor, Boston, Massachusetts 02210.

(16) Roger S. Penske has served as a member of our board of directors since April 2002, and is a managing member of Penske Capital Partners, L.L.C., which is the managing member of Worldwide Training Group, LLC. As previously disclosed in footnote 2 above, Mr. Penske has shared voting and investment power as to all 1,818,204 shares that will be held of record by Worldwide Training Group, LLC after this offering and has sole voting and investment power with respect to 1,000 shares of common stock. Mr. Penske disclaims his beneficial ownership of the shares held of record by Worldwide Training Group, LLC other than his pecuniary interest therein. The business address for Mr. Penske is 2555 Telegraph Road, Bloomfield Hills, MI 48302.

DESCRIPTION OF CAPITAL STOCK

General

We are authorized to issue 100,000,000 shares of common stock, $0.0001 par value per share, and 10,000,000 shares of preferred stock, $0.0001 par value per share.

The following description of the material terms of our capital stock and our amended and restated certificate of incorporation and amended and restated bylaws is only a summary. You should refer to our amended and restated certificate of incorporation and amended and restated bylaws as in effect upon the closing of this offering, which are included as exhibits to the registration statement of which this prospectus is a part.

Common Stock

As of March 31, 2004, there were 27,710,576 shares of common stock outstanding, which were held of record by 50 stockholders, based on the stockholders list maintained by our transfer agent.

Voting rights. The holders of our common stock are entitled to one vote per share for each share held of record on any matter to be voted upon by stockholders. Our amended and restated certificate of incorporation does not provide for cumulative voting in connection with the election of directors and, accordingly, holders of more than 50% of the shares voting will be able to elect all of the directors standing for election.

Dividend rights. All shares of our common stock are entitled to share equally in any dividends our board of directors may declare from legally available sources. Our senior secured credit facilities currently impose restrictions on our ability to declare dividends with respect to our common stock.

Liquidation rights. Upon liquidation or dissolution of our company, whether voluntary or involuntary, all shares of our common stock are entitled to share equally in the assets available for distribution to stockholders after payment of all of our prior obligations, including our preferred stock.

Other matters. The holders of our common stock have no preemptive or conversion rights and our common stock is not subject to further calls or assessments by us. There are no redemption or sinking fund provisions applicable to the common stock. All outstanding shares of our common stock, including the common stock offered in this offering, are fully paid and non-assessable.

Preferred Stock

Our amended and restated certificate of incorporation provides for the authorization of 10,000,000 shares of preferred stock. The shares of preferred stock may be issued from time to time at the discretion of the board of directors without stockholder approval. The board of directors is authorized to issue these shares in different classes and series and, with respect to each class or series, to determine the dividend rate, the redemption provisions, conversion provisions, liquidation preference and other rights and privileges not in conflict with our amended and restated certificate of incorporation. No shares of our preferred stock are currently outstanding, and we have no immediate plans to issue any preferred stock. The issuance of any of our preferred stock could provide needed flexibility in connection with possible acquisitions and other corporate purposes, however, the issuance could also make it more difficult for a third party to acquire a majority of our outstanding voting stock or discourage an attempt to gain control of us. In addition, the board of directors, without stockholder approval, can issue shares of preferred stock with voting and conversion rights which could adversely affect the voting power and other rights of the holders of common stock. The listing requirements of the New York Stock Exchange, which would apply so long as the common stock is listed on the New York Stock Exchange, require stockholder approval of certain issuances equal to or exceeding 20% of the then outstanding voting power of then outstanding number of shares of common stock. These additional shares may be used for a variety of corporate purposes, including future public offerings, to raise additional capital or to facilitate acquisitions.

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Directors Exculpation and Indemnification

Our amended and restated certificate of incorporation provides that none of our directors shall be liable to us or our stockholders for monetary damages for any breach of fiduciary duty as a director, except to the extent otherwise required by the Delaware General Corporation Law, or the DGCL. The effect of this provision is to eliminate our rights, and our stockholders rights, to recover monetary damages against a director for breach of a fiduciary duty of care as a director, except to the extent otherwise required by the DGCL. This provision does not limit or eliminate our right, or the right of any stockholder, to seek non-monetary relief, such as an injunction or rescission in the event of a breach of a director s duty of care. In addition, our amended and restated certificate of incorporation provides that, if the DGCL is amended to authorize the further elimination or limitation of the liability of a director, then the liability of the directors shall be eliminated or limited to the fullest extent permitted by the DGCL, as so amended. These provisions will not alter the liability of directors under federal or state securities laws.

We have entered into indemnification agreements with each of our directors and key officers. These indemnification agreements provide that we will indemnify our directors and officers to the fullest extent permitted by law for liabilities they may incur because of their status as directors and officers. These agreements also provide that we will advance expenses to our directors and officers relating to claims for which they may be entitled to indemnification. Upon a potential change of control of our company, our directors and officers may request that we create a trust for their benefit in an amount sufficient to satisfy any expenses that they may reasonably expect to incur in connection with a claim against them. These indemnification agreements also provide that we will maintain directors and officers liability insurance.

Registration Rights

We are a party to a registration rights agreement with the following stockholders: (i) JZ Equity Partners plc and the permitted transferees of The Jordan Company, LLC (collectively, the TJC Shareholders); (ii) Charlesbank Voting Trust, Charlesbank Equity Fund V, Limited Partnership, CB Offshore Equity Fund V, L.P., CB Equity Co-investment Fund V, Limited Partnership and Coyote Training Group, LLC (collectively, the Charlesbank Shareholders), (iii) Worldwide Training Group, LLC; (iv) Whites Family Company, LLC; and (v) Robert D. Hartman. See Certain Relationships And Related Transactions for a more detailed summary of the registration rights agreement.

Certain Provisions of Our Certificate of Incorporation and Bylaws

Provisions with anti-takeover implications. We have opted not to be governed by the provisions of Section 203 of the Delaware General Corporation Law. In general, the statute prohibits a publicly held Delaware corporation from engaging in a business combination with an interested stockholder for a period of three years after the date of the transaction in which the person became an interested stockholder, unless the business combination is approved by the corporation s board of directors and/or stockholders in a prescribed manner. The term business combination includes mergers, asset sales and other transactions resulting in a financial benefit to the interested stockholder. Subject to certain exceptions, an interested stockholder is a person who, together with affiliates and associates, owns, or within three years of the proposed business combination did own, 15% or more of the corporation s voting stock. Rather than being governed by Section 203, we have chosen to adopt a fair market value provision to govern business combinations with an interested stockholder. For the purposes of this provision, the definitions of business combination and interested stockholder generally correspond to those in Section 203 except that, with regard to the definition of interested stockholder, our provision contains only a two-year look-back period for stock ownership and the ownership threshold is only 10%. We believe that the fair market value provision not only captures the statutory benefits of Section 203, but also provides the desired certainty concerning transactions involving a business combination with an interested stockholder.

Election and removal of directors. Our amended and restated certificate of incorporation and amended and restated bylaws provide for the division of our board of directors into three classes as nearly

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equal in size as possible and with staggered three-year terms. Any vacancy on our board of directors, including a vacancy resulting from an enlargement of our board of directors, may be filled only by the vote of a majority of the directors then in office. The classification of our board of directors and the limitation on filling of vacancies could make it more difficult for a third party to acquire, or discourage a third party from attempting to acquire, control of our company.

Board meetings. Our amended and restated bylaws provide that special meetings of the board of directors may be called by the chairman of our board of directors, our chief executive officer or by a majority of the directors in office.

Stockholder meetings. Our amended and restated bylaws provide that any action required or permitted to be taken by our stockholders at an annual meeting or special meeting of stockholders may only be taken if it is properly brought before such meeting and may not be taken by written action in lieu of a meeting. Our bylaws further provide that special meetings of the stockholders may only be called by the chairman of our board of directors, by a committee that is duly designated by the board or by resolution adopted by the affirmative vote of the majority of the board of directors.

Requirements for advance notification of stockholder nominations and proposals. Our amended and restated bylaws establish advance notice procedures with respect to stockholder proposals and the nomination of candidates for election as directors, other than nominations made by or at the direction of our board of directors or a committee of the board of directors. In order for any matter to be considered properly brought before a meeting, a stockholder must comply with requirements regarding advance notice and provide certain information to us. These provisions could have the effect of delaying until the next stockholders meeting stockholder actions that are favored by the holders of a majority of our outstanding voting securities. These provisions could also discourage a third party from making a tender offer for our common stock, because even if it acquired a majority of our outstanding voting securities, it would be able to take action as a stockholder (such as electing new directors or approving a merger) only at a duly called stockholders meeting and not by written consent.

Stockholder action by written consent. Our amended and restated certificate of incorporation and amended and restated bylaws provide that stockholder action may be taken only at a duly called annual or special meeting of stockholders of our common stock.

Cumulative voting. Our amended and restated certificate of incorporation provides that our stockholders shall have no cumulative voting rights.

Amendment of certificate of incorporation and bylaws. Amendment of the provisions described above in our amended and restated certificate of incorporation generally will require the affirmative vote of a majority of our directors, as well as the affirmative vote of the holders of at least 66 2/3% of our then outstanding voting stock. Our amended and restated bylaws may be amended (i) by the affirmative vote of the majority of our board of directors, (ii) in the case of certain provisions concerning takeovers or changes of control, by the affirmative vote of three-fourths of the directors in office or (iii) on the recommendation of our board of directors, by the affirmative vote of holders of a majority of our then outstanding voting stock.

NYSE Trading

Our common stock is listed on the New York Stock Exchange under the symbol UTI.

Transfer Agent and Registrar

The transfer agent and registrar issues stock certificates and keeps track of the registered holders of our stock. Our transfer agent and registrar is The Bank of New York.

SHARES ELIGIBLE FOR FUTURE SALE

We cannot predict what effect, if any, market sales of shares of our common stock or the availability of shares of our common stock for sale will have on the market price of our common stock. Future sales of substantial amounts of our common stock in the public market, or the possibility of these sales, could adversely affect the trading price of our common stock and could impair our future ability to raise capital through the sale of our equity at a time and price we deem appropriate.

Upon completion of this offering, we will have outstanding 27,710,576 shares of common stock. Of these shares, 14,125,000 shares, including the 5,500,000 shares sold in this offering assuming the underwriters over-allotment option is not exercised, will be freely tradable without restriction or further registration under the Securities Act, except for any shares purchased by our affiliates, as defined in Rule 144 under the Securities Act, which would be subject to the limitations and restrictions described below.

Assuming the underwriters over-allotment option is not exercised, the remaining 13,585,576 shares of common stock that will be held by existing stockholders will be restricted securities, as defined in Rule 144. Restricted securities may be sold in the public market only if registered or if they qualify for an exemption from registration under Rule 144 promulgated under the Securities Act, which rules are summarized below. Among these restricted securities are 11,694,883 shares of common stock owned by a limited number of our stockholders that are parties to a registration rights agreement with us. That agreement provides certain of the stockholders that are parties to it with the right, after June 13, 2004, to require us to effect the registration of their shares. In addition, if we propose to register, or are required to register following the exercise of a demand registration right as described in the previous sentence, any of our shares of common stock under the Securities Act, all of our stockholders that are parties to the registration rights agreement will be entitled to include their shares of common stock in that registration. For a description of the registration rights agreement see Certain Relationships and Related Transactions Registration Rights Agreement.

In connection with this offering, our directors and executive officers, as well as the selling stockholders in this offering, have entered into 90-day lock-up agreements at the request of the underwriters. On the day that is 91 days after the date of this prospectus, those parties will be able to sell on the public market an aggregate of 13,283,805 shares of our common stock that they will hold after this offering, provided that the requirements of Rule 144 under the Securities Act of 1933 are met. In addition, the lock-up agreements of our executive officers, other than John White, allow them, after June 22, 2004, to sell shares of our common stock beneficially owned by them pursuant to a plan that meets the requirements of Rule 10b5-1 under the Securities Exchange Act of 1934, provided that the requirements of Rule 144 are met. As of March 31, 2004, 2,967,128 shares of our common stock were owned by these executive officers.

In connection with our initial public offering in December 2003, our directors and executive officers, and all of our pre-initial public offering stockholders, entered into 180-day lock-up agreements. The 180-day lock-up agreements of those parties who were stockholders prior to our initial public offering, but who have not entered into 90-day lock-up agreements as described above, will remain in effect after this offering and are scheduled to expire, pursuant to their terms, on June 13, 2004. Beginning June 14, 2004, these stockholders will be entitled to sell in the public market an aggregate of approximately 331,071 shares of our common stock that they will hold after this offering provided that the requirements of Rule 144 are met. Taking into account the 180-day lock-up agreements and the 90-day lock-up

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agreements described in Underwriting, the restricted securities will be available for sale in the public market pursuant to Rule 144 as follows:

Number of Shares	Date
	After the date of this prospectus.
331,071	After June 13, 2004.
13,283,805(1)	After 90 days from the date of this prospectus.

(1) After June 22, 2004, our executive officers, other than John White, will be able to sell shares of our common stock beneficially owned by them pursuant to a plan that meets the requirements of Rule 10b5-1 under the Securities Exchange Act of 1934, provided that the requirements of Rule 144 are met. As of March 31, 2004, 2,967,128 shares of our common stock were held by these executive officers.

The numbers of shares of common stock listed above do not include shares of common stock issuable upon exercise of stock options granted under our stock plans that were unexercised as of March 31, 2004. As of March 31, 2004, there were outstanding options to purchase a total of 2,232,433 shares of common stock, 165,044 of which were vested. Shares of common stock issuable upon the exercise of options granted or to be granted under our stock option plans will be freely tradable without restriction under the Securities Act, unless such shares are held by an affiliate of ours.

Rule 144

In general, under Rule 144 as currently in effect, a person (or persons whose shares are required to be aggregated), including an affiliate, who has beneficially owned shares of our common stock for at least one year is entitled to sell in any three-month period a number of shares that does not exceed the greater of:

1% of then-outstanding shares of common stock, or 277,105 shares; and

the average weekly trading volume in the common stock on the New York Stock Exchange during the four calendar weeks preceding the date on which notice of sale is filed, subject to restrictions.

Sales under Rule 144 are also subject to manner of sale provisions and notice requirements and to the availability of current public information about us.

Rule 144(k)

In addition, a person who is not deemed to have been an affiliate of ours at any time during the 90 days preceding a sale and who has beneficially owned the shares proposed to be sold for at least two years, would be entitled to sell those shares under Rule 144(k) without regard to the manner of sale, public information, volume limitation or notice requirements of Rule 144. To the extent that our affiliates sell their shares, other than pursuant to Rule 144 or a registration statement, the purchaser s holding period for the purpose of effecting a sale under Rule 144 commences on the date of transfer from the affiliate.

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MATERIAL U.S. FEDERAL TAX CONSEQUENCES

TO NON-U.S. HOLDERS OF COMMON STOCK

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

a citizen or resident of the United States, including an alien individual who is a lawful permanent resident of the United States or meets the substantial presence test under section 7701(b)(1)(A)(3) of the Code;

a corporation (or an entity treated as a corporation) created or organized in the United States or under the laws of the United States, any state thereof, or the District of Columbia;

an estate, the income of which is subject to U.S. federal income tax regardless of its source; or

a trust, if a U.S. court can exercise primary supervision over the administration of the trust and one or more U.S. persons can control all substantial decisions of the trust, or certain other trusts that have a valid election in effect.

This discussion is based on current provisions of the Internal Revenue Code, Treasury Regulations promulgated under the Internal Revenue Code, judicial opinions, published positions of the Internal Revenue Service (IRS), and all other applicable authorities, all of which are subject to change, possibly with retroactive effect. This discussion does not address all aspects of U.S. federal income and estate taxation or any aspects of state, local, or non-U.S. taxation, nor does it consider any specific facts or circumstances that may apply to particular Non-U.S. Holders that may be subject to special treatment under the U.S. federal income tax laws, such as insurance companies, tax-exempt organizations, financial institutions, brokers, dealers in securities, and U.S. expatriates. The discussion also does not address any tax considerations with respect to shares that are held by partnerships or other pass-through entities.

Prospective investors are urged to consult their tax advisors regarding the U.S. federal, state, local, and non-U.S. income and other tax considerations of acquiring, holding, and disposing of shares of common stock.

Dividends

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

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

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Gain on Sale or Other Disposition of Common Stock

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

the gain is effectively connected with a trade or business carried on by the Non-U.S. Holder within the United States, in which case the branch profits tax discussed above may also apply if the Non-U.S. Holder is a corporation;

the Non-U.S. Holder is an individual who holds shares of common stock as capital assets and is present in the United States for 183 days or more in the taxable year of disposition and various other conditions are met; or

we are or have been a U.S real property holding corporation for U.S. federal income tax purposes and, assuming that our common stock is deemed to be regularly traded on an established securities market, the holder held, directly or indirectly at any time during the five-year period ending on the date of disposition or such shorter period that such shares were held, more than five percent of our common stock. We have not been, are not and do not anticipate becoming, a United States real property holding corporation for United States federal income tax purposes.

Information Reporting and Backup Withholding

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

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

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

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

the holder otherwise establishes an exemption.

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

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Estate Tax

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

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UNDERWRITING

Under the terms and subject to the conditions contained in an underwriting agreement dated April 26, 2004, the selling stockholders have agreed to sell to the underwriters named below, for whom Credit Suisse First Boston LLC is acting as the representative, the following respective numbers of shares of common stock:

Underwriter	Number of Shares
Credit Suisse First Boston LLC	2,171,400
Banc of America Securities LLC	930,600
Jefferies & Company, Inc.	930,600
Thomas Weisel Partners LLC	930,600
SunTrust Capital Markets, Inc.	206,800
Legg Mason Wood Walker, Incorporated	110,000
Piper Jaffray & Co.	110,000
ThinkEquity Partners LLC	110,000
Total	5,500,000

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

The selling stockholders have granted to the underwriters a 30-day option to purchase on a pro rata basis up to 825,000 additional outstanding shares from them at the initial public offering price less the underwriting discounts and commissions. The option may be exercised only to cover any over-allotments of common stock.

The underwriters propose to offer the shares of common stock initially at the public offering price on the cover page of this prospectus and to selling group members at that price less a selling concession of $1.08 per share. The underwriters and selling group members may allow a discount of $0.10 per share on sales to other broker/dealers. After the initial public offering, the representative may change the public offering price and concession and discount to broker/dealers.

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

	Per Share		Total	
	Without Over-allotment	With Over-allotment	Without Over-allotment	With Over-allotment
Underwriting Discounts and Commissions paid by the selling stockholders	$1.80	$1.80	$9,900,000	$11,385,000
Expenses payable by the selling stockholders	$0.03	$0.0261	$ 165,000	$ 165,000
Expenses payable by us	$0.0727	$0.0632	$ 400,000	$ 400,000

We have agreed that we will not offer, sell, contract to sell, pledge or otherwise dispose of, directly or indirectly, or file with the Securities and Exchange Commission a registration statement under the Securities Act of 1933 (the Securities Act), relating to any shares of our common stock or securities convertible into or exchangeable or exercisable for any shares of our common stock, or publicly disclose the intention to make any offer, sale, pledge, disposition or filing, without the prior written consent of Credit Suisse First Boston LLC for a period of 90 days after the date of this prospectus, except that we may issue shares of common stock pursuant to the exercise of warrants or options, in each case outstanding on the date of this prospectus, or grant employee stock options or purchases by employees pursuant to the terms of a plan in effect on the date of this prospectus and described in this prospectus.

Our directors and executive officers, as well as the selling stockholders in this offering, have agreed that they will not offer, sell, contract to sell, pledge or otherwise dispose of, directly or indirectly, any shares of our common stock or securities convertible into or exchangeable or exercisable for any shares of our common stock, enter into a transaction that would have the same effect, or enter into any swap, hedge or other arrangement that transfers, in whole or in part, any of the economic consequences of ownership of our common stock, whether any of these transactions are to be settled by delivery of our common stock or other securities, in cash or otherwise, or publicly disclose the intention to make any offer, sale, pledge or disposition, or to enter into any transaction, swap, hedge or other arrangement, without, in each case, the prior written consent of Credit Suisse First Boston LLC for a period of 90 days after the date of this prospectus. The exercise of options granted to these persons will not be subject to or prohibited by these lock-up agreements. The lock-up agreements of our executive officers, other than John White, allow them, after June 22, 2004, to sell shares of our common stock beneficially owned by them pursuant to a plan that meets the requirements of Rule 10b5-1 under the Securities Exchange Act of 1934, provided that the requirements of Rule 144 are met. In addition, the lock-up agreement of John White, our Chief Strategic Planning Officer and Vice Chairman of our board of directors, contains a provision that allows him to pledge up to 1,800,000 shares of our common stock held by him to Pershing LLC as collateral for a personal loan.

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

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

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

Stabilizing transactions permit bids to purchase the underlying security so long as the stabilizing bids do not exceed a specified maximum.

Over-allotment involves sales by the underwriters of shares in excess of the number of shares the underwriters are obligated to purchase, which creates a syndicate short position. The short position may be either a covered short position or a naked short position. In a covered short position, the number of shares over-allotted by the underwriters is not greater than the number of shares that they may purchase in the over-allotment option. In a naked short position, the number of shares involved is greater than the number of shares in the over-allotment option. The underwriters may close out any covered short position by either exercising their over-allotment option and/or purchasing shares in the open market.

Syndicate covering transactions involve purchases of the common stock in the open market after the distribution has been completed in order to cover syndicate short positions. In determining the source of shares to close out the short position, the underwriters will consider, among other things, the price of shares available for purchase in the open market as compared to the price at which they may purchase shares through the over-allotment option. If the underwriters sell more shares than could be covered by the over- allotment option, a naked short position, the position can only be closed out by buying shares in the open market. A naked short position is more likely to be created if the underwriters are concerned that there could be downward pressure on the price of the shares in the open market after pricing that could adversely affect investors who purchase shares in the offering.

Penalty bids permit the representative to reclaim a selling concession from a syndicate member when the common stock originally sold by the syndicate member is purchased in a stabilizing or syndicate covering transaction to cover syndicate short positions.

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

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

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NOTICE TO CANADIAN RESIDENTS

Resale Restrictions

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

Representations of Purchasers

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

the purchaser is entitled under applicable provincial securities laws to purchase the common stock without the benefit of a prospectus qualified under those securities laws,

where required by law, that the purchaser is purchasing as principal and not as agent, and

the purchaser has reviewed the text above under Resale Restrictions.

Rights of Action Ontario Purchasers Only

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

Enforcement of Legal Rights

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

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Taxation and Eligibility for Investment

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

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LEGAL MATTERS

The validity of the shares of common stock offered by this prospectus will be passed upon for us by Bryan Cave LLP, Phoenix, Arizona. The underwriters have been represented by Cravath, Swaine & Moore LLP, New York, New York.

EXPERTS

The financial statements as of September 30, 2002 and 2003 and for each of the three years in the period ended September 30, 2003 included in this prospectus have been so included in reliance on the report of PricewaterhouseCoopers LLP, independent accountants, given on the authority of said firm as experts in auditing and accounting.

ADDITIONAL INFORMATION

We are subject to the informational requirements of the Securities Exchange Act of 1934, as amended, and file reports, proxy statements and other information with the Securities and Exchange Commission. We have also filed with the Securities and Exchange Commission a registration statement on Form S-1 to register our common stock. This prospectus, which forms part of the registration statement, does not contain all of the information included in the registration statement. For further information about us and our common stock offered in this prospectus, you should refer to the registration statement and its exhibits. You may read and copy the registration statement and any other document we file with the Securities and Exchange Commission at the Securities and Exchange Commission s Public Reference Room, 450 Fifth Street, N.W., Washington, D.C. 20549. Please call the Securities and Exchange Commission at 1-800-SEC-0330 for further information on the operation of the Public Reference Room. In addition, the Securities and Exchange Commission maintains a web site that contains registration statements, reports, proxy statements and other information regarding registrants, such as us, that file electronically with the Securities and Exchange Commission. The address of the web site is www.sec.gov. Except for the registration statement and its exhibits, the information we file with the Securities and Exchange Commission is not included or incorporated in the registration statement and should not be relied upon by potential investors in determining whether to purchase shares of our common stock in this offering.

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UNIVERSAL TECHNICAL INSTITUTE, INC. AND SUBSIDIARIES

INDEX TO CONSOLIDATED FINANCIAL STATEMENTS

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REPORT OF INDEPENDENT AUDITORS

To the Board of Directors and Shareholders of

Universal Technical Institute, Inc.:

In our opinion, the consolidated financial statements listed in the accompanying index present fairly, in all material respects, the financial position of Universal Technical Institute, Inc. and its subsidiaries at September 30, 2002 and 2003, and the results of their operations and their cash flows for each of the three years in the period ended September 30, 2003 in conformity with accounting principles generally accepted in the United States of America. In addition, in our opinion, the financial statement schedule listed in the accompanying index presents fairly, in all material respects, the information set forth therein when read in conjunction with the related consolidated financial statements. These financial statements and financial statement schedule are the responsibility of the Company s management; our responsibility is to express an opinion on these financial statements and financial statement schedule based on our audits. We conducted our audits of these statements in accordance with auditing standards generally accepted in the United States of America, which 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, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

As discussed in Note 3 to the consolidated financial statements, effective October 1, 2001, the Company adopted Statement of Financial Accounting Standards No. 142, Goodwill and Other Intangible Assets . In addition, as discussed in Note 3 to the consolidated financial statements, effective July 1, 2003, the Company adopted Statement of Financial Accounting Standards No. 150 Accounting for Certain Financial Instruments with characteristics of both Liabilities and Equity.

PricewaterhouseCoopers LLP

Phoenix, Arizona
November 21, 2003, except
for paragraph 3 of Note 1 for which
the date is December 12, 2003,
and Note 22 for which the date
is April 14, 2004

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UNIVERSAL TECHNICAL INSTITUTE, INC. AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS

(In thousands, except share and per share amounts)

	September 30,		December 31,
	2002	**2003**	**2003**
			(unaudited)
Assets			
Current assets:			
Cash and cash equivalents	$ 13,554	$ 8,925	$ 28,799
Receivables, net	12,527	19,856	13,489
Prepaid expenses and other assets	3,197	3,038	4,887
Total current assets	29,278	31,819	47,175
Property and equipment, net	23,231	27,446	29,099
Investment in land	438	71	71
Goodwill	20,579	20,579	20,579
Deferred financing fees, net	2,248	1,300	451
Other assets	1,112	2,884	1,679
Total assets	$ 76,886	$ 84,099	$ 99,054
Liabilities, Redeemable Preferred Stock and Shareholders Deficit			
Current liabilities:			
Accounts payable and accrued expenses	$ 16,474	$ 25,005	$ 23,581
Current portion of long-term debt and capital leases	3,016	3,860	233
Deferred revenue	20,427	25,692	30,066
Accrued tool sets	3,241	3,523	2,952
Other current liabilities	697	2,979	3,381
Total current liabilities	43,855	61,059	60,213
Construction liability	2,064		
Long-term debt and capital leases	46,875	28,014	11
Subordinated long-term debt	7,011		
Subordinated long-term related party debt	4,000		
Mandatory redeemable preferred stock (redemption value of $25,941 & $0 at September 30, 2003 & December 31, 2003, respectively)		25,462	
Distributions payable to shareholders	438	71	71
Other liabilities	4,407	5,484	7,282
Total liabilities	108,650	120,090	67,577
Commitments and contingencies (Note 13)			
Preferred stock, $.0001 par value, 25,000 shares authorized:			
Redeemable preferred stock 19,445 shares issued and outstanding at September 30, 2002 and 2003 (redemption value of $24,774 at September 30, 2002) and 0 shares issued and outstanding at December 31, 2003 (unaudited)	20,646		
Redeemable convertible preferred stock 2,357 shares issued and outstanding at September 30, 2002 and 2003 (redemption	43,749	47,161	

value of $47,206 and $50,618 at September 30, 2002 and 2003) and 0 shares issued and outstanding at December 31, 2003 (unaudited)			
Shareholders deficit:			
Common stock, $.0001 par value, 36,975,000 shares authorized, 13,466,495 shares issued and outstanding at September 30, 2002, 13,936,295 shares issued and outstanding at September 30, 2003 and 27,705,576 shares issued and outstanding at December 31, 2003 (unaudited)	1	1	1
Paid-in capital			107,924
Accumulated deficit	(95,659)	(83,125)	(76,448)
Treasury stock 63,510 shares of common stock, $.0001 par value	(15)		
Subscription receivable from officers and directors	(443)		
Subscriptions receivable	(43)	(28)	
Total shareholders deficit	(96,159)	(83,152)	31,477
Total liabilities, redeemable preferred stock and shareholders deficit	$ 76,886	$ 84,099	$ 99,054

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

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UNIVERSAL TECHNICAL INSTITUTE, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF OPERATIONS

(In thousands, except per share amounts)

	Year Ended September 30,			Three Months Ended December 31,	
	2001	2002	2003	2002	2003
				(unaudited)	
Net revenues	$109,493	$144,372	$196,495	$45,374	$59,043
Operating expenses:					
Educational services and facilities	59,554	70,813	92,443	20,880	25,602
Selling, general and administrative	38,332	51,541	67,896	16,254	19,426
Total operating expenses	97,886	122,354	160,339	37,134	45,028
Income from operations	11,607	22,018	36,156	8,240	14,015
Other expense (income):					
Interest income	(446)	(508)	(475)	(119)	(25)
Interest expense	10,336	6,213	3,601	1,211	815
Interest expense related parties	784	549	532		
Other expense (income)		847	(234)		752
Total other expense	10,674	7,101	3,424	1,092	1,542
Income from continuing operations and before income taxes	933	14,917	32,732	7,148	12,473
Income tax expense	820	5,228	12,353	2,502	5,020
Income from continuing operations	113	9,689	20,379	4,646	7,453
Discontinued operations:					
Loss from operations, net of taxes	(8,536)				
Loss on sale, net of taxes	(1,316)				
Total discontinued operations	(9,852)				
Net income (loss)	(9,739)	9,689	20,379	4,646	7,453
Preferred stock dividends	(1,166)	(2,872)	(6,413)	(1,145)	(776)
Net income (loss) available to common shareholders	$ (10,905)	$ 6,817	$ 13,966	$ 3,501	$ 6,677
Earnings per share basic:					
Income (loss) from continuing operations	$ (0.08)	$ 0.51	$ 1.03	$ 0.26	$ 0.43
Discontinued operations:					
Loss from operations	(0.63)				
Loss on sale	(0.10)				
Net income (loss) available to common shareholders	$ (0.81)	$ 0.51	$ 1.03	$ 0.26	$ 0.43
Earnings per share diluted:					
Income (loss) from continuing operations	$ (0.08)	$ 0.44	$ 0.79	$ 0.18	$ 0.30
Discontinued operations:					

Loss from operations	(0.63)				
Loss on sale	(0.10)				
Net income (loss) available to common shareholders	$ (0.81)	$ 0.44	$ 0.79	$ 0.18	$ 0.30
Weighted average number of common shares outstanding:					
Basic	13,402	13,402	13,543	13,402	15,439
Diluted	13,402	20,244	25,051	24,915	25,042

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

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UNIVERSAL TECHNICAL INSTITUTE, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF SHAREHOLDERS DEFICIT

(In thousands, except per share amounts)

	Common Stock						
	Shares	**Amount**	**Paid-in Capital**	**Treasury Stock**	**Accumulated Deficit**	**Subscriptions Receivable**	**Total Shareholders Deficit**
Balance at September 30, 2000	13,466	$ 1	$ 101	$ (15)	$ (91,672)	$ (486)	$ (92,071)
Net loss					(9,739)		(9,739)
Dividends on preferred stock			(101)		(1,065)		(1,166)
Balance at September 30, 2001	13,466	1		(15)	(102,476)	(486)	(102,976)
Net income					9,689		9,689
Dividends on preferred stock					(2,872)		(2,872)
Balance at September 30, 2002	13,466	1		(15)	(95,659)	(486)	(96,159)
Net income					20,379		20,379
Exercise of stock options	470		108			(108)	
Proceeds received on subscription receivable						566	566
Tax benefit from employee stock option plan			1,287				1,287
Stock option compensation recorded			63				63
Dividends on preferred stock			(1,458)		(2,830)		(4,288)
Cash dividends:							
Preferred Series D @ $901.495 per share					(2,125)		(2,125)
Common @ $0.207 per share					(2,875)		(2,875)
Retirement of treasury stock	(63)			15	(15)		
Balance at September 30, 2003	13,873	$ 1	$	$	$ (83,125)	$ (28)	$ (83,152)
Net income (unaudited)					7,453		7,453
Issuance of common stock, net (unaudited)	3,250		59,184				59,184
Conversion of preferred stock (unaudited)	10,571		48,540				48,540
Proceeds received on subscription receivable (unaudited)						28	28
Exercise of stock options (unaudited)	12		53				53
Tax benefit from employee stock option plan (unaudited)			120				120
Stock option compensation recorded (unaudited)			27				27
Dividends on preferred stock (unaudited)					(776)		(776)
Balance at December 31, 2003 (unaudited)	27,706	$ 1	$ 107,924	$	$ (76,448)	$	$ 31,477

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

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UNIVERSAL TECHNICAL INSTITUTE, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS

(In thousands)

	Year Ended September 30,			Three Months Ended December 31, (unaudited)	
	2001	2002	2003	2002	2003
Cash flows from operating activities:					
Net income (loss)	$ (9,739)	$ 9,689	$ 20,379	$ 4,646	$ 7,453
Adjustments to reconcile net income (loss) to net cash provided by operating activities:					
Depreciation and amortization	4,532	4,948	6,382	1,506	2,095
Bad debt expense	1,463	2,681	2,470	854	610
Goodwill impairment	3,074				
Tax benefit from option exercise			1,287		120
Stock option compensation			63		27
Deferred income taxes	214	2,045	484	(258)	1,184
Write-off of deferred financing fees		970	467		752
Loss on sale of property and equipment	27	232	122		19
Preferred stock interest expense			292		265
Gain on early retirement of debt			(701)		
Loss on sale of discontinued operation	1,316				
Changes in assets and liabilities:					
Receivables	(1,765)	(4,910)	(9,799)	682	5,757
Prepaid expenses and other assets	735	(278)	(108)	(142)	(2,325)
Other assets	(411)	1,120	(2,012)	(54)	1,277
Accounts payable and accrued expenses	3,540	619	8,184	779	(1,433)
Deferred revenue	3,808	5,350	5,265	2,269	4,374
Accrued tool sets and other current liabilities	1,862	(2,143)	2,564	2,759	932
Other liabilities	296	148	1,077	158	144
Discontinued operation	1,811				
Net cash provided by operating activities	10,763	20,471	36,416	13,199	21,251
Cash flows from investing activities:					
Purchase of property and equipment	(5,472)	(11,772)	(11,977)	(1,334)	(3,508)
Proceeds from sale of property and equipment		5,869	20		
Proceeds from the sale of land			303		
Proceeds from sale of securities		123			
Net cash used in investing activities	(5,472)	(5,780)	(11,654)	(1,334)	(3,508)
Cash flows from financing activities:					
Proceeds from issuance of common stock, net of issuance costs of $7,441 for the three months ended December 31, 2003					59,184
Proceeds from issuance of preferred stock, net of issuance costs of $3,457 for the year ended September 30, 2002		42,043			
Proceeds from long-term debt borrowings, net of issuance costs of $2,462 for the year ended September 30, 2002		16,819			
Repayment of long-term debt borrowings	(5,264)	(39,952)	(18,017)	(629)	(31,630)
Repayment of subordinated debt		(23,400)	(10,310)		

Distribution to stockholders			(303)		
Redemption of mandatory redeemable preferred stock					(12,946)
Dividends paid			(5,000)		(12,558)
Proceeds from exercise of stock options					53
Proceeds received from subscriptions receivable			4,239		28
Net cash provided by (used in) financing activities	(5,264)	(4,490)	(29,391)	(629)	2,131
Net increase (decrease) in cash and cash equivalents	27	10,201	(4,629)	11,236	19,874
Cash and cash equivalents, beginning of year	3,326	3,353	13,554	13,554	8,925
Cash and cash equivalents, end of year	$ 3,353	$ 13,554	$ 8,925	$ 24,790	$ 28,799
Supplemental Disclosure of Cash Flow Information:					
Interest paid	$ 10,195	$ 6,831	$ 4,744	$ 744	$ 743
Debt issued in lieu of interest	$ 490	$ 395	$	$	$
Preferred dividends accrued but unpaid	$ 1,166	$ 2,872	$ 4,288	$ 1,145	$
Taxes paid (received)	$ 1,269	$ (3,088)	$ 8,177	$ 100	$ 1,885
Training equipment obtained in exchange for services	$ 1,489	$ 945	$ 1,475	$ 28	$ 9
Construction in progress financed by construction liability	$	$ 2,064	$ (2,064)	$	$
Equipment financed with capital lease	$ 58	$	$	$	$
Exercise of stock options	$	$	$ 108	$	$
Exchange of preferred stock for common stock	$	$	$	$	$ 48,540

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

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UNIVERSAL TECHNICAL INSTITUTE, INC.

AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(In thousands, except per share amounts)

1. Nature of the Business

Business Description

We are a provider of post-secondary education for students seeking careers as professional automotive, diesel, collision repair, motorcycle and marine technicians. We offer undergraduate degree, diploma and certificate programs at seven campuses and manufacturer-sponsored advanced programs at 22 dedicated training centers. We work closely with leading original equipment manufacturers (OEMs) in the automotive, diesel, motorcycle and marine industries to understand their needs for qualified service professionals.

The accompanying consolidated financial statements include all the accounts of Universal Technical Institute, Inc. (a Delaware corporation) and each of its wholly-owned subsidiaries (collectively we and our). All significant intercompany accounts and transactions have been eliminated.

On November 11, 2003 we approved a 4,350-to-1 stock split of our common shares to be effective immediately prior to the consummation of our initial public offering. All share and per share amounts in the financial statements have been adjusted to reflect the stock split.

2. Government Regulation and Financial Aid

Our 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, or ED. During the years ended September 30, 2001, 2002 and 2003, approximately 67%, 65% and 68%, respectively, of our net revenues were indirectly derived from funds distributed under Title IV Programs.

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 ED and be certified as an eligible institution by ED. For this reason, our schools are subject to extensive regulatory requirements imposed by all of these entities. After our schools receive the required certifications by the appropriate entities, our schools must demonstrate their compliance with the ED regulations of the Title IV Programs on an ongoing basis. Included in these regulations is the requirement that we must satisfy specific standards of financial responsibility. ED evaluates institutions for compliance with these standards each year, based upon the institutions annual audited financial statements, as well as following a change in ownership of the institution. Under regulations which took effect July 1, 1998, ED calculates the institution s composite score for financial responsibility based on its (i) equity ratio, which measures the institution s capital resources, ability to borrow and financial viability; (ii) primary reserve ratio, which measures the institution s ability to support current operations from expendable resources; and (iii) net income ratio, which measures the institution s ability to operate at a profit.

An institution that does not meet ED s minimum composite score requirements may establish its financial responsibility as follows:

by posting a letter of credit in favor of ED in an amount up to 50% of the Title IV Program funds received by the institution during the institution s most recently completed fiscal year;

by posting a letter of credit in an amount equal to at least 10% of the Title IV Program funds received during the institution s most recent fiscal year, accepting provisional certification,

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complying with additional ED monitoring requirements and agreeing to receive Title IV Program funds under an arrangement other than ED s standard advance funding arrangement; or

by complying with additional ED monitoring requirements and agreeing to receive Title IV Program funds under an arrangement other than ED s standard advance funding arrangement.

Based on its review of our financial statements for each of our fiscal years since the year ended September 30, 1999, ED found that we did not have a composite score of 1.5 or higher. Consequently, since November 2000, we have been required to post a letter of credit on behalf of our institutions in favor of ED and to accept provisional certification and additional ED reporting and monitoring procedures. At September 30, 2003, we have outstanding a letter of credit in the amount of $7.6 million representing approximately 10% of the total Title IV Program funds received by our institutions in the year ended September 30, 2001, as calculated by ED. This letter of credit was increased to $9.9 million in October 2003. The increase in our required letter of credit is attributable to increased funds received under Title IV Programs. Additionally, we are required to credit students accounts before requesting and receiving Title IV Program funds and two of our institutions are required to file additional reports with ED regarding their receipt of Title IV Program funds.

In addition, based upon our year ended September 30, 2002 Title IV compliance audits of our institutions, it was determined that we exceeded ED s late refund threshold of 5% at two of our institutions. While ordinarily we would be required to post letters of credit for this reason, ED informed us that we were not required to post these additional letters of credit because we already posted a larger letter of credit as a result of our financial responsibility composite score. Based on our 2003 fiscal year Title IV compliance audits, none of our institutions made late returns of Title IV Program funds in excess of ED s prescribed threshold for our 2003 fiscal year.

3. Summary of Significant Accounting Policies

Principles of Consolidation

The accompanying consolidated financial statements include the accounts of Universal Technical Institute, Inc. and each of its wholly-owned subsidiaries (collectively we and our). All significant intercompany accounts and transactions have been eliminated.

Revenue Recognition

Net revenues consist primarily of student tuition and fees derived from the programs we provide after reductions for scholarships we sponsor. Tuition and fee revenue is recognized on a pro-rata (straight-line) basis over the term of the course or program offered. If a student withdraws from a program prior to a specified date, any paid but unearned tuition is refunded. Sales of textbooks and program supplies, revenue related to student housing and other revenue are each recognized as sales occur or services are performed. In aggregate, these additional revenues represented less than 10% of total net revenues in each year in the three-year period ended September 30, 2003. Deferred revenue represents the excess of tuition and fee payments received as compared to tuition and fees earned and is reflected as a current liability in the accompanying consolidated financial statements because it is expected to be earned within the twelve-month period immediately following the date on which such liability is reflected in our consolidated financial statements.

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(In thousands, except per share amounts)

Cash and Cash Equivalents

We consider all highly liquid investments purchased with an original maturity of three months or less to be cash equivalents.

Deferred Financing Fees

Costs incurred in connection with obtaining financing are capitalized and amortized using the effective interest method over the term of the related debt. Amortization of deferred financing fees was $0.6 million for the year ended September 30, 2001, $1.1 million for the year ended September 30, 2002 and $0.5 for the year ended September 30, 2003. During the fourth quarter of the year ended September 30, 2003, we wrote off an additional $0.5 million related to a partial debt extinguishment.

Property and Equipment

Property, equipment and leasehold improvements are recorded at cost. Amortization of equipment under capital leases and leasehold improvements is calculated using the straight-line method over the remaining useful life of the asset or term of lease, whichever is shorter. Equipment under capital leases totaled $1.8 million with accumulated amortization of $1.2 million at September 30, 2002 and totaled $1.8 million with accumulated amortization of $1.5 million at September 30, 2003. Depreciation is calculated using the straight-line method over the estimated useful life. The estimated useful life of our training, office and computer equipment ranges from 3 years to 7 years. The estimated useful life of our vehicles is 5 years.

Depreciation and amortization related to our property and equipment was $3.4 million for the year ended September 30, 2001, $3.8 million for the year ended September 30, 2002 and $5.9 million for the year ended September 30, 2003. Maintenance and repairs are expensed as incurred.

Software Development Costs

We capitalize certain internal software development costs which are amortized using the straight-line method over the estimated lives of the software (not to exceed 5 years). Capitalized costs include external direct costs of materials and services consumed in developing or obtaining internal-use software and payroll and payroll related costs for employees who are directly associated with the internal software development project. Capitalization of such costs ceases no later than the point at which the project is substantially complete and ready for its intended purpose.

Goodwill and Other Intangible Assets

Goodwill represents the excess of the cost of the acquired businesses over the fair market value of the acquired net assets. We account for our goodwill in accordance with SFAS No. 142, Goodwill and Other Intangible Assets, which we adopted effective October 1, 2001. Prior to our adoption of SFAS No. 142, we recorded amortization expense of $0.6 million for the fiscal year ended September 30, 2001. In accordance with FAS 142, goodwill is no longer amortized and instead is tested for impairment on an annual basis. We completed our impairment test of goodwill during the fourth quarter of 2002 and 2003 and determined there was no impairment at that time.

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The following table presents a comparison of net income (loss) and earnings per share as if SFAS No. 142 had been adopted at the beginning of the earliest period presented:

	Year Ended Sept 30,		
	2001	2002	2003
Reported income (loss) from continuing operations	$ 113	$ 9,689	$ 20,379
Add back goodwill amortization, net of taxes	69		
Adjusted income (loss) from continuing operations	$ 182	$ 9,689	$ 20,379
Reported net income (loss) available to common shareholders	$ (10,905)	$ 6,817	$ 13,966
Add back goodwill amortization, net of taxes	1,257		
Adjusted net income (loss) available to common shareholders	$ (9,648)	$ 6,817	$ 13,966
Earnings per share basic:			
Reported income (loss) from continuing operations	$ (0.08)	$ 0.51	$ 1.03
Add back goodwill amortization	0.01		
Adjusted income (loss) from continuing operations	$ (0.07)	$ 0.51	$ 1.03
Reported net income (loss) available to common shareholders	$ (0.81)	$ 0.51	$ 1.03
Add back goodwill amortization	0.09		
Adjusted net income (loss) available to common shareholders	$ (0.72)	$ 0.51	$ 1.03
Earnings per share diluted:			
Reported income (loss) from continuing operations	$ (0.08)	$ 0.44	$ 0.79
Add back goodwill amortization	0.01		
Adjusted income (loss) from continuing operations	$ (0.07)	$ 0.44	$ 0.79
Reported net income (loss) available to common shareholders	$ (0.81)	$ 0.44	$ 0.79
Add back goodwill amortization	0.09		
Adjusted net income (loss) available to common shareholders	$ (0.72)	$ 0.44	$ 0.79

Prior to adopting SFAS No. 142, we recorded an asset impairment relative to goodwill which was recorded in connection with the purchase of National Technology Transfer, Inc. (NTT). We assessed the recoverability of NTT goodwill utilizing its undiscounted projected cash flow. Based upon this analysis and due to a weak market response and lower student densities for our training products offered, as well as declining historical and forecasted operating income, we determined that an impairment of our goodwill existed. Accordingly, based upon the excess of the carrying value as compared to the assets, an estimated fair value impairment loss was recorded in the amount of $3.1 million for the year ended September 30, 2001.

Impairment of Long-Lived Assets

We review 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 in accordance with the provisions of SFAS No. 144, Accounting for the Impairment or Disposal of Long-Lived Assets. In accordance with FAS 144, the Company assesses the potential

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impairment of property and equipment and identifiable intangibles whenever events or changes in circumstances indicate that the carrying value may not be recoverable. We evaluate our 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 we determine that an asset s carrying value is impaired, we 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.

Advertising Costs

Costs related to advertising are expensed as incurred and totaled approximately $5.0 million for the year ended September 30, 2001, $5.7 million for the year ended September 30, 2002 and $7.9 million for the year ended September 30, 2003.

Start-up Costs

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

Stock-Based Compensation

We account for stock-based employee compensation arrangements in accordance with the provisions of Accounting Principles Board (APB) Opinion No. 25, Accounting for Stock Issued to Employees, and related Interpretations, and comply with the disclosure provisions of SFAS No. 123, Accounting for Stock-Based Compensation as amended by SFAS No. 148, Accounting for Stock-Based Compensation Transition and Disclosure An Amendment of SFAS No. 123, which defines a fair value based method and addresses common stock and options given to employees as well as those given to non-employees in exchange for products and services. The following table illustrates the effect on net income and earnings per share if we had applied the fair value recognition provisions of SFAS No. 123:

	Year Ended September 30,			Three Months Ended December 31,	
	2001	2002	2003	2002	2003
				(unaudited)	
Net income (loss) available to common shareholders as reported	$(10,905)	$6,817	$13,966	$3,501	$6,677
Add stock-based compensation expense included in reported net income, net of taxes			39		16
Deduct total stock-based employee compensation expense determined using the fair value based method, net of taxes	(1)	(72)	(163)	(32)	(110)
Net income (loss) pro forma	$(10,906)	$6,745	$13,842	$3,469	$6,583
Earnings per share basic as reported	$ (0.81)	$ 0.51	$ 1.03	$ 0.26	$ 0.43
Earnings per share diluted as reported	$ (0.81)	$ 0.44	$ 0.79	$ 0.18	$ 0.30
Earnings per shares basic pro forma	$ (0.81)	$ 0.50	$ 1.02	$ 0.26	$ 0.42

Earnings per share diluted pro forma	$ (0.81)	$ 0.44	$ 0.78	$ 0.18	$ 0.30

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The fair value of each option grant is estimated on the date of grant using the Black-Scholes option pricing model. The following table illustrates the assumptions used for grants made during each of the years ended September 30, 2001, 2002 and 2003, and thee months ended December 31, 2002 and 2003.

	Year Ended September 30,			Three Months Ended December 31,	
	2001	2002	2003	2002	2003
				(unaudited)	
Expected lives		5 years	5 years	5 years	5 years
Risk-free interest rate		5.02%	3.25%	5.02%	3.25%
Dividend yield					
Expected volatility					34.48%

Income Taxes

We account for income taxes as prescribed by SFAS No. 109, Accounting for Income Taxes. SFAS No. 109 requires recognition of deferred tax assets and liabilities for the estimated future tax consequences of events attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases and operating losses and tax credit carryforwards. Deferred tax assets and liabilities are measured using enacted tax rates in effect for the year in which the differences are expected to be recovered or settled. Deferred tax assets are reduced through the establishment of a valuation allowance at the time, based upon available evidence, if it is more likely than not that the deferred tax assets will not be realized.

Comprehensive Income

SFAS No. 130, Reporting Comprehensive Income, requires that all items that meet the definition of components of comprehensive income be reported in a financial statement for the period in which they are recognized. Components of comprehensive income include revenues, expenses, gains, and losses that under accounting principles generally accepted in the United States of America are included in comprehensive income but excluded from net income. There are no differences between our net income, as reported, and comprehensive income, as defined for the periods presented.

Concentration of Risk

Financial instruments that potentially subject us to concentrations of credit risk consist principally of cash and receivables.

We place our cash and cash equivalents with high quality financial institutions. Accounts at these institutions are insured by the Federal Deposit Insurance Corporation up to $0.1 million.

We extend credit for tuition and fees to the majority of our students that are in attendance at our campuses. Our 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 by us of Title IV funds for those students. In addition, our remaining tuition receivable is primarily comprised of smaller individual amounts due from students throughout the United States.

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Use of Estimates

The preparation of financial statements in accordance with accounting principles generally accepted in the United States of America requires management to make certain estimates and assumptions. Such estimates and assumptions affect the reported amounts of assets, liabilities, revenues and expenses and related disclosures of contingent assets and liabilities. On an ongoing basis, we evaluate our estimates and judgments, including those related to revenue recognition, bad debts, fixed assets, long-lived assets including goodwill, income taxes and contingent assets and liabilities. We base our estimates on historical experience and on various other assumptions that we believe are reasonable under the circumstances. The results of our analysis form the basis for making judgments about the carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates under different assumptions or conditions, and the impact of such differences may be material to our consolidated financial statements.

Fair Value of Financial Instruments

The carrying value of cash equivalents, accounts receivable and payable, accrued liabilities and deferred tuition approximates their fair value at September 30, 2002 and 2003 due to the short-term nature of these instruments.

The carrying value of our long-term variable rate debt reflects its fair value as such long-term debt is subject to fees and interest rates, which adjust regularly to reflect current market rates.

The carrying value of the portion of our long-term debt with stated interest rates reflects its fair value based on current rates offered to us on debt with similar maturities and characteristics.

Earnings per Common Share

SFAS No 128, Earnings Per Share, requires the dual presentation of basic and diluted earnings per share on the face of the income statement and the disclosure of the reconciliation between the numerators and denominators of basic and diluted earnings per share calculations. The following schedule presents the calculation of basic and fully diluted earnings per share from continuing operations:

	Year Ended September 30,			Three Months Ended December 31,	
	2001	**2002**	**2003**	**2002**	**2003**
				(unaudited)	
Basic earnings per share:					
Income from continuing operations	$ 113	$ 9,689	$ 20,379	$ 4,646	$ 7,453
Less preferred stock dividends:					
Mandatory redeemable preferred stock	1,166	1,166	876	292	
Redeemable convertible preferred stock		1,706	5,537	853	776
	1,166	2,872	6,413	1,145	776
Income from continuing operations available to common shareholders	$ (1,053)	$ 6,817	$ 13,966	$ 3,501	$ 6,677

Weighted average number of shares	13,402	13,402	13,543	13,402	15,439
Basic earnings per share	$ (0.08)	$ 0.51	$ 1.03	$ 0.26	$ 0.43

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	Year Ended September 30,			Three Months Ended December 31,	
	2001	2002	2003	2002	2003
				(unaudited)	
Diluted earnings per share:					
Income from continuing operations	$ (1,053)	$ 6,817	$ 13,966	$ 3,501	$ 6,677
Add redeemable convertible preferred stock dividends		1,706	5,537	853	776
Add convertible promissory note interest expense, net of taxes		325	320	138	
Income from continuing operations available to common shareholders	$ (1,053)	$ 8,848	$ 19,823	$ 4,492	$ 7,453
Weighted average number of shares:					
Basic shares outstanding	13,402	13,402	13,543	13,402	15,439
Dilutive effect of:					
Options related to the purchase of common stock		387	667	630	352
Convertible promissory note payable		1,314	587	629	
Convertible preferred stock		5,141	10,254	10,254	9,251
Diluted shares outstanding	13,402	20,244	25,051	24,915	25,042
Diluted earnings per share	$ (0.08)	$ 0.44	$ 0.79	$ 0.18	$ 0.30

For the year ended September 30, 2001, the dilutive effect of 18,333 shares related to our convertible debt and 161 shares related to outstanding options was not considered, as the effect would be anti-dilutive.

Recent Accounting Pronouncements

In June 2002, the FASB issued SFAS No. 146, Accounting for Costs Associated with Exit or Disposal Activities. SFAS No. 146 addresses financial accounting and reporting for costs associated with exit or disposal activities and replaces Emerging Issues Task Force (EITF) Issue No. 94-3, Liability Recognition for Certain Employee Termination Benefits and Other Costs to Exit an Activity (including Certain Costs Incurred in a Restructuring). SFAS No. 146 requires that a liability for a cost associated with an exit or disposal activity be recognized when the liability is incurred and should be initially measured at fair value. Under EITF Issue No. 94-3, a liability for such costs is recognized as of the date of an entity s commitment to an exit plan. The provisions of SFAS No. 146 are effective for exit or disposal activities that we initiated after December 31, 2002. Our adoption of SFAS No. 146 did not have a material effect on our financial condition or results of operations.

In November 2002, the FASB issued Financial Interpretation No. (FIN) 45, Guarantor s Accounting and Disclosure Requirements for Guarantees, Including Indirect Guarantees of Indebtedness of Others. FIN 45 requires certain guarantees to be recorded at fair value and also requires a guarantor to make certain disclosures regarding guarantees. FIN 45 s initial recognition and initial measurement provisions are applicable on a prospective basis to guarantees issued or modified after December 31, 2002. Our adoption of this Interpretation did not have a material impact on our consolidated financial statements or disclosures.

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In December 2002, the FASB issued SFAS No. 148, Accounting for Stock-Based Compensation Transition and Disclosure. This statement amends SFAS No. 123, Accounting for Stock-Based Compensation An Amendment of SFAS No. 123. Although SFAS 148 does not require use of the fair value method of accounting for stock-based employee compensation, it does provide alternative methods of transition. It also amends the disclosure provisions of SFAS 123 and APB Opinion No. 28, Interim Financial Reporting, to require disclosure in the summary of significant accounting policies the effects of an entity s accounting policy with respect to stock-based employee compensation on reported net income and earnings per share in annual and interim financial statements. SFAS 148 s amendment of the transition and annual disclosure requirements is effective for fiscal years ending after December 15, 2002. The amendment of disclosure requirements of APB Opinion No. 28 is effective for interim periods beginning after December 15, 2002. Our adoption of SFAS No. 148 has resulted in expanded disclosure to include the effect of stock-based compensation in interim reporting.

In April 2003, the FASB issued SFAS No. 149, Amendment of Statement 133 on Derivative Instruments and Hedging Activities. SFAS No. 149 amends and clarifies the accounting guidance on derivative instruments (including certain derivative instruments embedded in other contracts) and hedging activities that fall within the scope of SFAS No. 133, Accounting for Derivative Instruments and Hedging Activities. SFAS No. 149 is effective prospectively for contracts entered into or modified after June 30, 2003, with certain exceptions, and for hedging relationships designated after June 30, 2003. Our adoption of SFAS No. 149 did not have a material impact on our consolidated financial statements or disclosures.

In May 2003, the FASB issued SFAS No. 150, Accounting for Certain Financial Instruments with Characteristics of both Liabilities and Equity. SFAS No. 150 changes the accounting and disclosure requirements for certain financial instruments that, under previous guidance, could be classified as equity. The guidance in SFAS No. 150 is generally effective for all financial instruments entered into or modified after May 31, 2003 and is otherwise effective at the beginning of the first interim period beginning after June 15, 2003. Upon adoption of SFAS No. 150, effective July 1, 2003, we classified as a liability the redeemable preferred stock series A, series B and series C with a combined carrying value of approximately $25,462. Additionally, effective July 1, 2003 the dividends on these securities were included as a component of interest expense instead of preferred stock dividends in the consolidated statement of operations. SFAS No. 150 prohibits restatements of financial statements for periods prior to adoption, accordingly these changes were made prospectively.

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The following table presents a comparison of net income (loss) as if SFAS 150 had been adopted at the beginning of the earliest period presented:

	Year Ended September 30,			Three Months Ended December 31,	
	2001	2002	2003	2002	2003
				(unaudited)	
Reported income from continuing operations	$ 113	$ 9,689	$20,379	$4,646	$7,453
Less preferred stock dividend for series A, series B and series C preferred stock	(1,166)	(1,166)	(876)	(292)	
Adjusted income (loss) from continuing operations	(1,053)	8,523	19,503	4,354	7,453
Less discontinued operations	(9,852)				
Adjusted net income (loss)	(10,905)	8,523	19,503	4,354	7,453
Less preferred stock dividend for series D preferred stock		(1,706)	(5,537)	(853)	(776)
Net income (loss) available for common shareholders	$(10,905)	$ 6,817	$13,966	$3,501	$6,677

In December 2003, the FASB issued FIN 46R, Consolidation of Variable Interest Entities, an Interpretation of ARB 51, replacing FIN 46, of the same title that was issued in January 2003. FIN 46R provides guidance on when certain entities should be consolidated or the interests in those entities should be disclosed by enterprises that do not control them through majority voting interest. Under FIN 46R, entities are required to be consolidated by enterprises that lack majority voting interest when equity investors of those entities have insignificant capital at risk or they lack voting rights, the obligation to absorb expected losses, or the right to receive expected returns. Entities identified with these characteristics are called variable interest entities, or VIEs, and the interests that enterprises have in these entities are called variable interests. These interests can derive from certain guarantees, leases, loans or other arrangements that result in risks and rewards that are disproportionate to the voting interests in the entities.

The provisions of FIN 46R must be applied for VIEs created after January 31, 2003 and for variable interests in entities commonly referred to as special purpose entities. For all other VIEs, implementation is required by March 31, 2004. Our adoption of FIN 46R did not have a material impact on our consolidated financial statements or disclosures.

4. Receivables

Receivables, net consist of the following:

September 30,

	2002	2003
Tuition receivables	$13,439	$21,051
Other receivables	664	1,126
Receivables	14,103	22,177
Less allowance for uncollectible accounts	(1,576)	(2,321)
	$12,527	$19,856

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5. Property and Equipment

Property and equipment, net consist of the following:

	September 30,	
	2002	2003
Leasehold improvements	$ 12,485	$ 14,084
Training equipment	14,571	20,189
Office and computer equipment	7,542	10,848
Internally developed software	1,531	2,369
Vehicles	515	571
Construction in progress	2,485	916
	39,129	48,977
Less accumulated depreciation and amortization	(15,898)	(21,531)
	$ 23,231	$ 27,446

At September 30, 2002, we recorded $2.1 million in construction in progress and its corresponding construction liability related to a build-to-suit lease agreement for a new campus facility.

6. Accounts Payable and Accrued Expenses

Accounts payable and accrued expenses consist of the following:

	September 30,		December 31,
	2002	2003	2003
			(Unaudited)
Accounts payable	$ 4,031	$ 5,059	$ 2,686
Accrued compensation and benefits	9,543	13,507	14,322
Other accrued expenses	2,900	6,439	6,573
	$16,474	$25,005	$23,581

7. Investment in Land

We previously acquired land in Phoenix, Arizona for possible future expansion. We did not make formal plans for the development of the land and have placed the land for sale. The land parcels are valued at the lower of cost or market value less selling costs. In connection with our 1999 recapitalization where we issued additional common stock and our Series C preferred stock, we agreed to distribute any proceeds received from the sale of the land to the participating common shareholders. During the year ended September 30, 2003, we sold certain parcels of the remaining land held for sale. Total proceeds from the sale were $0.3 million and were distributed to our common shareholders. The carrying value of the land was $0.4 million at September 30, 2002 and $0.1 million at September 30, 2003. We also have recorded a corresponding long-term liability in the accompanying Consolidated Balance Sheets to reflect the required distribution payable to shareholders.

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8. Revolving Credit Facility

Effective March 29, 2002, we restructured our debt in conjunction with the issuance of series D preferred stock (Note 16) and entered into a Second Amendment and Restatement of Credit Agreement (Second Amendment). The Second Amendment increased the borrowing limit under the revolving credit facility from $12.5 million to $20.0 million and increased the limit on letters of credit that may be issued under the revolving credit facility to ED from $5.0 million to the greater of $10.0 million or 10% of Title IV funding not to exceed $15.0 million. There were no outstanding borrowings under the revolving credit facility at September 30, 2002 or September 30, 2003. Total availability under the revolving credit facility was $13.6 million at September 30, 2002 and $14.4 million at September 30, 2003. Outstanding letters of credit to ED were $6.4 million at September 30, 2002 and $7.6 million at September 30, 2003. Outstanding letters of credit to others were $0 at September 30, 2002 and $8.0 million at September 30, 2003. In October 2003, we increased our letter of credit issued to ED to $9.9 million.

The revolving credit facility matures on March 31, 2007 and is collateralized by a security interest in substantially all the assets of UTI Holdings, Inc., the borrower under our revolving credit facility. UTI Holdings, Inc. is an intermediate holding company that is holding the capital stock of all of our operating subsidiaries. Borrowings under the revolving credit facility bear interest based upon, at our option at the time of the borrowing, LIBOR or an alternative base rate, at the alternate base rate plus 1.50% to 2.25% or LIBOR plus 2.75% to 3.50%, in each case depending on our leverage ratio during the applicable interest period. In addition to paying interest on outstanding principal under the revolving credit facility, we were required to pay a commitment fee to the lenders under the revolving credit facility with respect to the unused commitments at a rate equal to 0.5% per year, and a risk participation fee equal to 2.75% per year to the issuers of letters of credit under our revolving credit facility with respect to the amount of such letters of credit. Interest is payable quarterly. The alternate base rate was 6.5% at September 30, 2002 and 5.25% at September 30, 2003. LIBOR was 4.813% at September 30, 2002 and 3.687% at September 30, 2003.

The Second Amendment contains certain restrictive covenants, including but not limited to maintenance of certain financial ratios and restrictions on capital expenditures, indebtedness, contingent obligations, investments and certain payments. At September 30, 2002, we were not in compliance with certain restrictive covenants related to permitted indebtedness for which we received a waiver of violation from our lender. At September 30, 2003, we were not in compliance with a non-financial covenant related to financial reporting for which we received a waiver of violation from our lender.

In July 2003, we further amended our credit agreements. The amendment increased our available borrowing under our revolving credit facility from $20.0 million to $30.0 million, increased the limit for letters of credit issued under the revolving credit facility from the greater of (a) $10,000,000 and (b) an amount, not exceeding $15,000,000, equal to 10% of Title IV funding received by us to the greater of (x) $15,000,000 and (y) an amount, not exceeding $22,500,000, equal to 10% of Title IV funding received by us. The amendment also increased the level of permitted capital expenditures, reduced the interest rate from the alternate base rate plus 1.50% to 2.25% or LIBOR plus 2.75% to 3.5% to the alternate base rate plus 1.25% to 2.25% or LIBOR plus 1.75% to 2.75%, in each case depending on our leverage ratio during the applicable interest period and approved certain restricted cash payments. The amendment changed the calculation of our commitment fee to the lenders with respect to the unused facility, ranging from 0.375% to 0.75% per annum based on the amount of the unused facility. In addition, we are required to pay a risk participation fee which was 2.5% per annum as of September 30, 2003. In connection with the amendment, we were required to repay $15.0 million on our Term B loan facility discussed in Note 9.

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9. Long-Term Debt and Capital Leases

As discussed in Note 8, in March 2002 we executed the Second Amendment which restructured our revolving credit facility and term loan facilities. The amendment relative to our term loan facilities modified our payment schedules, interest rates and various financial and non-financial covenants. Borrowings under our Term A and Term B loan facilities are collateralized by a security interest in substantially all the assets of UTI Holdings, Inc., the borrower under our revolving credit facility. UTI Holdings, Inc., is an intermediate holding company that is holding the capital stock of all our operating subsidiaries.

The Term A loan facility requires interest to be paid quarterly at either the alternate base rate plus 1.75% or LIBOR plus 3.0%, at our election at the time of the borrowing, and expires March 31, 2007. The Term B loan facility requires interest to be paid quarterly at either the alternate base rate plus 2.25% or LIBOR plus 3.5%, at our election at the time of the borrowing, and expires March 31, 2009. The Term A and Term B loans required quarterly principal reductions totaling approximately $0.8 million and an additional annual excess cash flow payment, as defined in the agreement, 120 days subsequent to the end of the fiscal year. There is no requirement to make an excess cash flow payment for the year ended September 30, 2003. We may prepay Term A and Term B loan facilities in whole or in part, without penalty.

As a result of our debt restructuring in April 2002, we incurred additional deferred financing fees of approximately $2.0 million and recognized approximately $1.0 million in other expense related to the write-off of previously recorded and unamortized deferred financing fees.

Our alternate base rate was 6.5% at September 30, 2002 and 5.25% at September 30, 2003. The LIBOR rate was 4.813% at September 30, 2002 and 3.687% at September 30, 2003. As discussed in Note 8, the Second Amendment contains certain restrictive covenants. At September 30, 2002, we were not in compliance with certain restrictive covenants related to permitted indebtedness for which we received a waiver of violation from our lender. At September 30, 2003, we were not in compliance with a non-financial covenant related to financial reporting for which we received a waiver of violation from our lender.

At September 30, 2002, we have recorded a construction liability of $2.1 million in connection with a build to suit lease for a new campus facility. We also have various capital leases related to training equipment utilized in our campus classrooms and office equipment. These capital leases bear interest at rates from 6.0% to 14.2% and are collateralized by the underlying equipment.

As discussed in Note 8, in July 2003, we amended our Second Amendment. In addition to the modifications related to the revolving credit facility, we amended the interest rate applicable to the Term A loan facility and Term B loan facility. The interest rate on the Term A loan facility was amended from the alternate base rate plus 1.5% to 2.25% or LIBOR plus 2.75% to 3.5% to the alternate base rate plus 1.25% to 2.25% or LIBOR plus 2.5% to 3.5%, in each case depending on our leverage ratio during the applicable interest period. The interest rate on the Term B loan facility was amended from the alternate base rate plus 2.0% to 2.75% or LIBOR plus 3.25% to 4.0% to the alternate base rate plus 1.75% to 2.75% or LIBOR plus 3.0% to 4.0%, in each case depending on our leverage ratio during the applicable interest period. In connection with the amendment, we were required to repay $15.0 million on our Term B loan facility.

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Long-term debt and capital leases consist of the following:

	September 30,	
	2002	2003
Term A loan facility payable to bank	$19,150	$16,950
Term B loan facility payable to bank	29,850	14,550
	49,000	31,500
Less current portion of long term debt	(2,500)	(3,500)
Long-term debt	46,500	28,000
Capital leases	891	374
Less current portion of capital leases, net of interest	(516)	(360)
Long-term capital leases	375	14
Long-term debt and capital leases	$46,875	$28,014

Maturities of long-term debt at September 30, 2003 are as follows:

2004	$ 3,500
2005	4,750
2006	6,250
2007	9,750
2008	7,250
Thereafter	
	$31,500

Future minimum lease payments under our capital lease agreements at September 30, 2003 are as follows:

Year ending September 30, 2004	$ 375
2005	11
2006	4
2007	
2008	
Thereafter	
	390

Less amount representing interest	16
Present value of minimum lease payments	374
Less current portion, net of interest	(360)
Capital lease obligation, less current portion	$ 14

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10. Subordinated Long-Term Debt

Subordinated long-term debt at September 30 consists of the following:

	2002
Subordinated promissory note payable to shareholder and related party, bearing interest at approximately 6.6%. The note matures on September 30, 2023 and may be prepaid with no penalty	$ 4,000
Subordinated convertible promissory note payable bearing interest at 8.0%. Payment of interest is due annually on June 30. The note matures on July 30, 2009, and may be prepaid with no penalty	7,011
	$11,011

In August 2003, we negotiated terms for the early payment of the 8.0% subordinated convertible promissory note payable with a face value of $7.0 million. Under the terms of the repayment agreement, we paid $6.3 million with available cash and recognized a gain, included in other expense (income), in the amount of $0.7 million, representing an early payment discount of approximately 10%.

In August 2003, we repaid, without penalty, the 6.6% subordinated promissory note payable to a shareholder and related party with a face value of $4.0 million.

11. Income Taxes

The components of income tax expense (benefit) are as follows:

	Year Ended September 30,		
	2001	2002	2003
Current expense (benefit)	$ (361)	$1,964	$10,582
Deferred expense (benefit)	1,181	3,264	484
Charge in lieu of taxes attributable to stock option exercise			1,287
	$ 820	$5,228	$12,353
Income tax expense (benefit) from continuing operations	$ 820	$5,228	$12,353
Income tax expense (benefit) from discontinued operations	(544)		
	$ 276	$5,228	$12,353

The income tax benefit for the loss on sale of the discontinued operation of $16.4 million was recorded and fully reserved during the year ended September 30, 2001 resulting in an income tax benefit of zero for the period.

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The income tax provision differs from the tax that would result from application of the statutory federal tax rate. The reasons for the differences are as follows:

	Year Ended September 30,		
	2001	2002	2003
Income tax expense (benefit) at statutory rate	$317	$5,073	$11,455
Non-deductible preferred stock dividend			102
Release of tax reserve			(721)
Nondeductible meals and entertainment	70	68	81
State income taxes, net of federal benefit	241	329	1,449
Other, net	192	(242)	(13)
Total income tax expense (benefit)	$820	$5,228	$12,353

The components of the deferred tax assets (liabilities) are recorded in the accompanying Consolidated Balance Sheets as follows:

	September 30,	
	2002	2003
Gross deferred tax assets:		
Compensation not yet deductible for tax	$ 972	$ 2,641
Receivable reserves	860	928
Loss reserves and accruals not yet deductible	3,675	2,464
Net operating loss and net capital loss carryovers	16,637	16,592
Valuation allowance	(16,416)	(16,416)
Total gross deferred tax assets	5,728	6,209
Gross deferred tax liabilities:		
Amortization of goodwill and intangibles	(2,444)	(2,292)
Depreciation and amortization of property and equipment	(1,705)	(2,570)
Other	(65)	(317)
Total gross deferred tax liabilities	(4,214)	(5,179)
Net deferred tax asset	$ 1,514	$ 1,030

The deferred tax assets are reflected in the accompanying Consolidated Balance Sheets as follows:

	September 30,		December 31,
	2002	2003	2003
			(Unaudited)
Current deferred tax assets, net	$1,142	$ 875	$ 399
Noncurrent deferred tax assets, net	372	155	
Noncurrent deferred tax liabilities			(553)
Net deferred tax asset (liability)	$1,514	$1,030	$(154)

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At September 30, 2002 and 2003, we had a valuation allowance of $16.4 million to reduce our deferred tax assets to an amount that management believes is more likely than not to be realized. The valuation allowance primarily relates to a deferred tax asset arising from a capital loss carryforward from the sale of a discontinued business. The utilization of capital loss carryforwards may be subject to certain limitations under Section 382 of the Internal Revenue Code of 1996, as amended. Our capital loss carryforward expires in 2005.

12. Noncompete and Consulting Agreements

Effective September 30, 1997, we entered into a management consulting agreement with our largest outside shareholder. Effective April 1, 2002, the management consulting agreement was amended to include all outside shareholders as additional consultants. Under the amended consulting agreement, all outside shareholders render consulting services to us in connection with financial and business matters. The annual management consulting fee is equal to the greater of $0.3 million or 2.5% of a defined earnings measure as described in the agreement. The agreement expires upon the earlier of 90 days prior written notice at anytime after (i) substantially all our stock or assets were sold or (ii) we merge or consolidate with another unaffiliated entity or September 30, 2007, and shall be automatically renewed for successive one-year terms unless a notice of termination is made 60 days prior to the renewal date. We have recorded and paid management consulting fees of $0.4 million for the year ended September 30, 2001, $0.5 million for the year ended September 30, 2002 and $0.8 million in the year ended September 30, 2003. We expect that the management consulting agreement will be terminated upon the consummation of this offering and that no investment banking or financial consulting fees will be made pursuant to that agreement as a result of the offering or otherwise. However, prior to completion of the offering, we will pay a management fee, on a pro-rated basis, for the first quarter of our 2004 fiscal year.

13. Commitments and Contingencies

Operating Leases

We lease our facilities and certain equipment under non-cancelable operating leases, some of which contain renewal options, escalation clauses and requirements to pay other fees associated with the leases. We recognize rent expense on a straight line basis. Two of our campus facilities are leased from a related party. Future minimum rental commitments at September 30, 2003 for all non-cancelable operating leases for each of the years ending September 30 are as follows:

2004	$ 11,431
2005	12,328
2006	12,271
2007	12,170
2008	12,182
Thereafter	114,004
	$174,386

Rent expense for operating leases was approximately $6.9 million, $8.6 million and $11.0 million for the years ended September 30, 2001, 2002 and 2003, respectively. Rent paid to related parties was approximately $2.2 million, $2.3 million and $1.7 million for the years ended September 30, 2001, 2002 and 2003, respectively.

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Licensing Agreement

In 1997, we entered into a licensing agreement that gives us the right to use certain materials and trademarks in the development of our courses and delivery of services on our campuses. The agreement was amended in January 2002. Under the terms of the amended license agreement, we are committed to pay royalties based upon a flat per student fee for students who elect and attend the licensed program. Minimum payments of $0.2 million are required for each of the calendar years 2002 through 2004 and minimum payments of $0.3 million are required for the calendar year 2005. A license fee is also payable based upon a percentage of net sales related to the sale of any product which bears the licensed trademark. In addition, we are required to pay a minimum marketing and advertising fee for which in return we receive the right to utilize certain advertising space in the licensor s published periodicals. The minimum marketing and advertising fee is $0.3 million for calendar years 2002 through 2004 and $0.4 million for the calendar year 2005. The agreement expires December 31, 2005.

In 1999, we entered into a licensing agreement that gives us the right to use certain materials and trademarks in the development of our courses. Under the terms of the agreement, we are required to pay a flat per student fee for each three week phase a student completes of the total 3 phases offered in connection with this license agreement. There are no minimum license fees required to be paid. The agreement terminates upon the written notice of either party providing not less than six months notification of the intent to terminate. In addition, the agreement may be terminated by the licensor after notification to licensee of a contractual breach if such breach remains uncured for more than 30 days.

In 2001, we entered into a licensing agreement that gives us the right to use certain trademarks in connection with the development and operation of our campuses and courses. In accordance with the agreement, we have prepaid $1.0 million to be used to satisfy future minimum annual royalties. We are committed to pay royalties based upon net revenue, as defined in the agreement, commencing in calendar year 2001 and ending upon the expiration of the agreement in calendar year 2006. The agreement requires minimum royalty payments of $0.4 million in calendar year 2002 and $0.5 million thereafter. In connection with the royalty agreement, we have recorded royalty expense totaling $0.1 million for the year ended September 30, 2001, $0.4 million for the year ended September 30, 2002 and $1.3 million for the year ended September 30, 2003.

Vendor Relationship

In 1998, we entered into an agreement with Snap-on Tools. The agreement provides that we may purchase promotional tool kits for our students at a discount from their list price. In addition, we earn credits that are redeemable for equipment we use in our business. Credits are earned on our purchases as well as purchases made by students enrolled at our campuses. We have agreed to provide Snap-on Tools exclusive access to our campuses and display advertising as well as to use Snap-on tools to train our students. The credits earned under this agreement may be redeemed for Snap-on tools or equipment at the full retail list price, which is more than we would be required to pay using cash.

Students are each promised the receipt of a tool kit upon completing certain coursework. The cost of the tool kits (net of the credit) is accrued during the time period in which the students begin attending school until they have reached the phase in which the promotional tool kits are provided.

As we have opened new campuses, Snap-on has historically advanced us credits for the purchase of their tools or equipment that support our new campus growth. At September 30, 2002, our net Snap-on liability resulting from using credits in excess of credits earned was $1.0 million, and at September 30, 2003 that liability was $0.7 million.

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Upon termination of the agreement, we continue to earn credits relative to promotional tool kits we purchase or additional tools our active students purchase. We continue to earn these credits until a tool kit is provided to the last student eligible under the agreement.

Executive Employee Agreement

We have entered into employment contracts with key executives. At September 30, 2003, the future employment contract commitments for such employees were approximately $0.9 million for fiscal year ending September 30, 2004, $0.8 million for fiscal year ending September 30, 2005 and $0.6 million for fiscal year ending September 30, 2006.

Legal

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

14. Employee Benefit Plans

401(k) Plan

We sponsor a defined contribution 401(k) plan, under which our employees elect to withhold specified amounts from their wages to contribute to the plan and we have a fiduciary responsibility with respect to the plan. The plan provides for matching a portion of employees contributions at management s discretion. All contributions and matches by us are invested at the direction of the employee in one or more mutual funds. We made contributions totaling approximately $0.2 million for the year ended September 30, 2001, $0.5 million for the year ended September 30, 2002 and $0.7 million for the year ended September 30, 2003.

Deferred Compensation Plan

We have entered into deferred compensation agreements with seven of our employees, providing for the payment of deferred compensation to each employee in the event that the employee becomes no longer employed by us. Under each agreement, the employee shall receive an amount equal to the compensation the employee would have earned if the employee had repeated the employment performance of the prior twelve months. We will pay the deferred compensation in a lump sum or over the period in which the employee would typically have earned the compensation had the employee been actively employed, at our option. Our commitment under the deferred compensation agreements was approximately $1.5 million as of September 30, 2002 and 2003.

Executive Benefit Plan

We sponsor the Universal Technical Institute Executive Benefit Plan. The plan provides for the annual deferral of all or part of certain executive bonuses into the plan as well as amounts withheld from executives wages, where applicable. We may elect to match contributions on an annual basis. All amounts are fully vested when deferred and matched. The obligation for deferred compensation under the plan was approximately $0.8 million at September 30, 2002 and $0.9 million at September 30, 2003, and is included in Other liabilities in the accompanying Consolidated Balance Sheets. The plan assets held to fund the

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deferred compensation liability are included in Other assets and represent the cash surrender value of life insurance of $0.2 million at September 30, 2002 and 2003, and $0.5 million of our Series C preferred stock at September 30, 2002 and 2003, respectively (Note 16).

15. Common Stock

Holders of our common stock shall be entitled to receive dividends when and as declared by the board of directors. The common stock is not redeemable. The holder of each share of common stock has the right to one vote per share owned. At September 30, 2002 and 2003, we had outstanding related party subscriptions receivable of $0.6 million and $27.6 thousand, respectively.

In September 2003, our board of directors declared, and we paid, a $5.0 million cash dividend on the shares of our common stock payable to the record holders as of August 25, 2003. The record holders of our Series D preferred stock were entitled to receive, upon conversion, such cash dividend pro rata and on an as-converted basis, pursuant to certain provisions of the certificate of designation of the Series D preferred stock. Our certificate of incorporation was amended to permit the holders of Series D preferred stock to be paid the dividend prior to the conversion and simultaneously with holders of our common stock, and the holders of our series A, series B and series C preferred stock consented to such payment.

16. Preferred Stock

Preferred stock consists of the following:

	September 30, 2002					
	Liquidation Amount	Subscriptions Receivable	Accrued and Unpaid Dividends	Held by UTI Trust	Transaction Fees	Carrying Amount
Redeemable preferred stock:						
Series A	$11,178	$(3,673)	$3,353	$	$	$10,858
Series B	4,067		1,220			5,287
Series C	4,200		756	(455)		4,501
	19,445	(3,673)	5,329	(455)		20,646
Redeemable convertible preferred stock:						
Series D	45,500		1,706		(3,457)	43,749
	$64,945	$(3,673)	$7,035	$(455)	$(3,457)	$64,395

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	September 30, 2003					
	Redemption Amount	Subscriptions Receivable	Accrued and Unpaid Dividends	Held by UTI Trust	Transaction Fees	Carrying Amount
Redeemable preferred stock:						
Series A	$11,178	$	$ 4,024	$	$	$15,202
Series B	4,067		1,464			5,531
Series C	4,200		1,008	(479)		4,729
	19,445		6,496	(479)		25,462
Redeemable convertible preferred stock:						
Series D	45,500		5,118		(3,457)	47,161
	$64,945	$	$11,614	$(479)	$(3,457)	$72,623

We have adopted the provisions of SFAS No. 150 Accounting for Certain Financial Instruments with Characteristics of both Liabilities and Equity, effective July 1, 2003. Accordingly, we have classified as a liability the redeemable preferred stock series A, series B and series C with a combined carrying value of approximately $25,462. Additionally, effective July 1, 2003, the dividends on these securities were included as a component of interest expense instead of preferred stock dividends in the consolidated statement of operations.

Series A and Series B Preferred Stock

In January 1998, we issued 11.178 shares of series A preferred stock (Series A) and 4.067 shares of series B preferred stock (Series B), each with a par value of $.0001. The Series A and Series B provide for cumulative annual dividends of 6%, whether or not declared, payable on June 30 of each year. The Series A and Series B are subject to mandatory redemption on March 31, 2010 and October 15, 2017, respectively. The liquidation value is equal to one thousand dollars per share. The redemption value is equal to the liquidation value plus accrued and unpaid dividends.

In August 2003, we collected, in its entirety, the subscription receivable from a shareholder and related party with a face value of approximately $3.7 million.

In November 2003, we offered to all holders of Series A and Series B preferred stock the ability to exchange their preferred stock for shares of our common stock pursuant to an exchange agreement. The number of shares of our common stock that will be issued in exchange for each share of the preferred stock is equal to the liquidation value of the preferred stock ($1,000 per share) divided by the initial public offering price of our common stock in a completed common stock offering to the public.

Series C Preferred Stock

In September 1999, in conjunction with a recapitalization transaction, we issued 4.200 shares of series C preferred stock (Series C) with a par value of $.0001. The stock was recorded at its fair value on the date of issuance. The Series C provides for cumulative annual dividends of 6%, whether or not declared, payable on September 30 of each year. The Series C is subject to mandatory redemption on

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March 31, 2010. The liquidation value is equal to one thousand dollars per share. The redemption value is equal to the liquidation value plus accrued and unpaid dividends.

In November 2003, we offered to all holders of Series C preferred stock the ability to exchange their preferred stock for shares of our common stock pursuant to an exchange agreement. The number of shares of our common stock that will be issued in exchange for each share of the preferred stock is equal to the liquidation value of the preferred stock ($1,000 per share) divided by the initial public offering price of our common stock in a completed common stock offering to the public.

We own the UTI Tax-Deferred Trust (UTI Trust), which was set up to facilitate the provision of deferred compensation to our executives (Note 14). The UTI Trust held .386 shares of Series C at September 30, 2002 and 2003. The carrying value of these shares, including accrued and unpaid dividends, was $0.5 million at September 30, 2002 and 2003 and is reflected as a reduction of the total carrying value of Series C in the accompanying Consolidated Balance Sheets.

Series D Preferred Stock

In April 2002, in conjunction with a recapitalization transaction, we issued 2.357 shares of $.0001 par value convertible Series D preferred stock (Series D) for aggregate gross proceeds of $45.5 million. The Series D was recorded at $42.0 million, net of its issuance costs of $3.5 million. The Series D provides for annual dividends of 7.5% which shall be cumulative, whether or not declared, payable on September 30 of each year. Series D is convertible on a one for one basis and redeemable, at the holder s option, upon a change in control. Pursuant to the certificate of designation, a change of control occurs if, among other things, (i) we sell all or substantially all of our assets; (ii) we are not the surviving entity after a merger or consolidation with an unaffiliated party or our stockholders, immediately before a merger or consolidation, no longer own at least the majority of the common stock of the surviving entity; or (iii) any person or entity becomes the beneficial owner, directly or indirectly, of more than 50% of the total voting power of our outstanding capital stock, as more particularly described in the certificate of designation. Series D converts automatically into shares of common stock upon a qualified initial public offering, as that term is defined in the certificate of designation.

In September 2003, we amended our Certificate of Incorporation to accelerate the payment to our Series D preferred stockholders of their proportional share of common stock dividends that they would receive upon the conversion of the Series D preferred stock into common stock. Accordingly, we distributed additional dividends totaling $2.1 million to our Series D preferred shareholders in September 2003.

Ranking, Liquidation Preference and Voting Rights

The Series A, Series B and Series C (Senior Stock) rank senior to, and have preference and priority with respect to any payment of any dividend or distribution on, the Series D, the common stock or any other shares of our capital stock. The Series D ranks senior to, and has preference and priority with respect to any payment of any dividends or distribution on, the common stock or any other shares of our capital stock (other than the Senior Stock). All capital stock ranking junior to the Series D is referred to as Junior Stock.

Upon our liquidation, dissolution or winding up, whether voluntary or involuntary, the holders of shares of Series D then outstanding shall be entitled to be paid out of our assets available for distribution to our shareholders, after and subject to the payment in full of all amounts required to be distributed to the holders of any Senior Stock (liquidation value per share plus any accrued and unpaid dividends), but

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before any payment shall be made to the holders of Junior Stock by reason of their ownership thereof, an amount equal to the liquidation value per share plus any accrued and unpaid dividends thereon.

If upon such liquidation, our assets are not sufficient to permit payment in full of the liquidation value (plus any accrued and unpaid dividends) of the Series A, Series B, Series C and Series D, our entire assets are to then be distributed ratably among the holders of such stock.

The Series A, Series B and Series C do not carry voting rights. The holders of outstanding shares of Series D are entitled to vote together with the holders of shares of common stock, as a single class, on all matters on which holders of common stock are entitled to vote, with each share of Series D voting on an as-if-converted basis.

17. Shareholders Agreement

Our shareholders have entered into an agreement setting forth certain rights and restrictions relating to ownership of our securities. This agreement restricts the transfer of stock without our prior written consent. Further restrictions exist upon employee termination or retirement. In cases of involuntary termination for cause and voluntary termination, we may elect to repurchase (call) all of the stock owned by the shareholder. Upon retirement or involuntary termination other than for cause, the shareholder may elect to have us repurchase (put) all shares owned. In all instances, except involuntary termination other than for cause, the call or put price shall be an amount equal to the greater of (i) one-half of the fair market value or (ii) cost; however, upon execution by the selling shareholder of a non-competition agreement, the call or put price shall be an amount equal to the fair market value of the stock. Upon involuntary termination other than for cause, the put price will be equal to the fair market value of the stock. In all instances, the fair market value is to be determined by our board of directors.

The agreement also grants shareholders a right to purchase stock being offered by a selling shareholder, based upon their pro rata ownership basis. The selling shareholder must also require certain buyers to irrevocably offer to other shareholders the right to acquire additional shares of stock, subject to a specified formula.

These restrictions shall terminate upon the closing of a Public Offering (as defined in the stockholders agreement) or execution of a registration rights agreement.

18. Employee Stock Plans

Restricted Stock Plan

We adopted a Restricted Stock Plan (Stock Plan) pursuant to which eligible participants may receive an award of restricted common stock (Restricted Stock). In January 1998, 1,022 shares of Restricted Stock were issued to certain of our executives and managers in exchange for 6.25% subscription notes receivable due January 31, 2009. Effective September 30, 1999, we vested all shareholders. There were 984 shares outstanding under the Stock Plan at September 30, 2002 and 2003. Subscription notes receivable related to these shares totaled $0.2 million for the years ended September 30, 2002 and $27.6 thousand for the year ended September 30, 2003.

Management Stock Option Plans

We have two stock option plans, which we refer to as the Management 1999 Option Program (1999 Plan) and the Management 2002 Option Program (2002 Plan).

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On September 30, 1999, we granted non-qualified options to purchase 470 shares of common stock at an exercise price of $0.23 per share, the fair market value of our common stock as of that date. All grants were immediately vested. In June 2003, all outstanding options issued under the 1999 Plan were exercised by tender of 6% subscription notes receivable which were repaid in August 2003. The exercise of the non-qualified options generated a tax savings of approximately $1.3 million relative to the additional compensation expense we are required to report to the Internal Revenue Service.

The 2002 Plan was approved and adopted on April 1, 2002 and authorized the issuance of options to purchase 746 shares of our common stock. Options to acquire 609 shares were granted on April 1, 2002 at an exercise price of $4.40 per share, the fair market value of our common stock as of that date. On February 25, 2003, our board of directors authorized an additional 37 shares to be issued under options to purchase our common stock and granted options on an additional 150 shares at an exercise price of $7.31 per share, which is less than the fair market value at that date. Options vest ratably each year over a four-year period.

The expiration date of options granted under these plans is the earlier of the ten-year anniversary of the grant date; the one-year anniversary of the termination of the participant s employment by reason of death or disability; thirty days after the date of the participant s termination of employment if caused by reasons other than death, disability, cause, material breach or unsatisfying performance; or on the termination date if termination occurs for reasons of cause, material breach or unsatisfactory performance.

The weighted average remaining contractual life for the 1999 Plan was 7 years and 0 years as of September 30, 2002 and 2003, respectively. The remaining average contractual life for the 2002 Plan was 9.5 years and 9.0 years as of September 30, 2002 and 2003, respectively.

The following table summarizes stock option activity for 2002 and 2003:

	Year Ended September 30, 2002		Year Ended September 30, 2003	
	Stock Options	Weighted Average Exercise Price	Stock Options	Weighted Average Exercise Price
Outstanding, beginning of year	470	$0.23	1,079	$2.48
Granted	609	4.40	150	7.31
Exercised			(470)	0.23
Outstanding, end of year	1,079	$2.58	759	$4.97
Exercisable, end of year	470	$0.23	152	$4.40

19. Discontinued Operations

On September 29, 2001, our board of directors authorized a Stock Purchase Agreement between us and NTT Acquisition Corp. by which we sold NTT for nominal consideration of $1.00, which was our estimate of NTT s fair market value. Certain of NTT Acquisition Corp. shareholders are also our shareholders. We reported the operating results of NTT and the loss on disposal as discontinued operations for all periods in the accompanying Consolidated Statements of Operations. At September 30, 2001, we recorded a loss on the sale of NTT of approximately $1.3 million.

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Our historical Consolidated Statements of Operations have been adjusted to show the results of the discontinued operations separately. The results of the discontinued operations for the year ended September 30, 2001 consist of the following:

Net revenues	$25,224
Program expenses	11,785
Selling, general and administrative	19,450
Goodwill impairment	3,074
Loss from operations	(9,085)
Interest income	5
Loss before taxes	(9,080)
Income tax benefit	544
Loss from discontinued operations	$ (8,536)

We advanced funds to NTT Acquisition Corp. subsequent to the sale of NTT in exchange for a note receivable in the amount of $0.6 million. This note has not been repaid. During the year ended September 30, 2002, we recorded a full valuation reserve because collection was uncertain.

20. Segment Information

We follow SFAS No. 131, Disclosures about segments of an Enterprise and Related Information. SFAS 131 establishes standards for the way that public business enterprises report certain information about operating segments in their financial reports. Operating segments are defined as components of an enterprise about which separate financial information is available that is evaluated on a regular basis by the chief operating decision maker, or decision making group, in assessing performance of the segment and in deciding how to allocate resources to an individual segment. SFAS No. 131 also establishes standards for related disclosures about products and services, geographic areas and major customers.

Our principal business is providing post-secondary education. We also provide manufacturer-specific training, and these operations are managed separately from our campus operations. These operations do not currently meet the quantitative criteria for segments and therefore are not deemed reportable under SFAS No. 131 and are reflected in the Other category. Corporate expenses are allocated to Post-Secondary Education and the Other category.

Summary information by reportable segment is as follows, as of and for the years ended September 30:

	2001		
	Post-Secondary Education	**Other**	**Total**
Net revenues	$99,852	$ 9,641	$109,493
Operating income (loss)	$12,639	$(1,032)	$ 11,607

Depreciation and amortization	$ 4,291	$ 241	$ 4,532
Goodwill	$ 20,579	$	$ 20,579
Assets	$ 58,604	$ 4,482	$ 63,086

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(In thousands, except per share amounts)

	2002		
	Post-Secondary Education	Other	Total
Net revenues	$132,607	$11,765	$144,372
Operating income (loss)	$ 23,329	$ (1,311)	$ 22,018
Depreciation and amortization	$ 4,622	$ 326	$ 4,948
Goodwill	$ 20,579	$	$ 20,579
Assets	$ 73,227	$ 3,659	$ 76,886

	2003		
	Post-Secondary Education	Other	Total
Net revenues	$182,610	$13,885	$196,495
Operating income (loss)	$ 36,030	$ 126	$ 36,156
Depreciation and amortization	$ 5,964	$ 418	$ 6,382
Goodwill	$ 20,579	$	$ 20,579
Assets	$ 80,195	$ 3,904	$ 84,099

Summary information by reportable segment is as follows, as of and for the three months ended December 31:

	Three Months Ended December 31, 2002 (unaudited)		
	Post-Secondary Education	Other	Total
Net revenues	$42,120	$3,254	$45,374
Operating income (loss)	$ 8,083	$ 157	$ 8,240
Depreciation and amortization	$ 1,414	$ 92	$ 1,506
Goodwill	$20,579	$	$20,579
Assets	$81,561	$3,265	$84,826

	Three Months Ended December 31, 2003 (unaudited)		
	Post-Secondary Education	Other	Total

Net revenues	$55,311	$3,732	$59,043
Operating income (loss)	$13,968	$ 47	$14,015
Depreciation and amortization	$ 1,995	$ 100	$ 2,095
Goodwill	$20,579	$	$20,579
Assets	$96,370	$2,684	$99,054

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21. Unaudited Quarterly Financial Summary

	2002				
	First Quarter	Second Quarter	Third Quarter	Fourth Quarter	Fiscal Year
Net revenue	$34,405	$35,483	$35,540	$38,944	$144,372
Income from operations	$ 6,249	$ 6,096	$ 4,766	$ 4,907	$ 22,018
Net income available to common shareholders	$ 2,355	$ 2,374	$ 557	$ 1,531	$ 6,817
Income per share:					
Basic	$ 0.18	$ 0.18	$ 0.04	$ 0.11	$ 0.51
Diluted	$ 0.16	$ 0.16	$ 0.04	$ 0.10	$ 0.44

The summation of quarterly net income per share does not equate to the calculation for the full fiscal year as quarterly calculations are performed on a discrete basis where securities may have an anti-dilutive effect during individual quarters but not for the full year.

	2003				
	First Quarter	Second Quarter	Third Quarter	Fourth Quarter	Fiscal Year
Net revenue	$45,374	$47,358	$48,910	$54,853	$196,495
Income from operations	$ 8,240	$ 9,482	$ 9,171	$ 9,263	$ 36,156
Net income available to common shareholders	$ 3,501	$ 4,257	$ 3,948	$ 2,260	$ 13,966
Income per share:					
Basic	$ 0.26	$ 0.32	$ 0.29	$ 0.16	$ 1.03
Diluted	$ 0.18	$ 0.21	$ 0.20	$ 0.16	$ 0.79

The summation of quarterly net income per share does not equate to the calculation for the full fiscal year as quarterly calculations are performed on a discrete basis where securities may have an anti-dilutive effect during individual quarters but not for the full year.

22. Subsequent Events

Initial Public Offering

Effective December 22, 2003 and in conjunction with our initial public offering, we entered into an amendment to the Second Amendment and Restatement of Credit Agreement dated March 29, 2002. The amendment provided for application of a portion of the net proceeds we received from our initial public offering to be applied on a pro-rata basis against all remaining scheduled installments on the term notes then outstanding, and reaffirmed March 31, 2007 as the maturity of our revolving line of credit.

On December 17, 2003, we sold 3.25 million shares of our common stock in our initial public offering for approximately $59.0 million in net cash proceeds, after deducting underwriting commission and offering expenses of approximately $7.6 million. On December 22, 2003, we consummated an exchange offer pursuant to which we offered to exchange the outstanding shares of our series A, series B and series C preferred stock for shares of our common stock at an exchange price equal to our initial public offering price. An aggregate total of approximately 6.5 thousand shares of series A, series B and series C preferred stock having a liquidation value of approximately $6.5 million, were tendered for exchange, and we issued an aggregate of approximately 0.3 million shares of our common stock in the exchange. In addition, our

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series D preferred stock automatically converted to common stock upon the consummation of our initial public offering. Accordingly, the approximately 2.4 thousand shares of series D preferred stock having a liquidation value of $45.5 million were converted into approximately 10.3 million shares of common stock.

The $59.0 million in net proceeds we received from the sale of our common stock in the initial public offering was used to: repay all of our outstanding term loan facilities totaling $31.5 million, and redeem the remaining series A, series B and series C preferred stock, totaling $12.9 million; and pay the accrued dividends related to the series A, series B, series C and series D preferred stock, totaling $12.6 million. As a result of our early payment of our term loan facilities, we recognized a charge of approximately $0.8 million related to the write off of unamortized deferred financing fees.

Upon the consummation of our initial public offering, our Amended and Restated Certificate of Incorporation became effective. The Amended and Restated Certificate of Incorporation increased the number of authorized common shares from approximately 37.0 million shares to 100.0 million shares and increased the number of authorized shares of preferred stock from 25 thousand shares to 10.0 million shares. In addition, our board of directors and stockholders approved the Universal Technical Institute, Inc. 2003 Employee Stock Purchase Plan (ESPP) and the Universal Technical Institute, Inc. 2003 Stock Incentive Plan (SIP), effective upon the consummation of our initial public offering. We have reserved 300,000 shares of common stock for issuance pursuant to the ESPP and approximately 4.4 million shares of common stock for issuance pursuant to the SIP.

Litigation

In April 2004, we received a letter on behalf of nine former employees of National Technology Transfer, Inc. (NTT), an entity that we purchased in 1998 and subsequently sold, making a demand for an aggregate payment of approximately $284,900 and 19,756 shares of our common stock. The claim is based on the assertion that the former owner of NTT promised them such payments upon completion of a public offering of our common stock. We believe the demand for payment is without merit.

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SCHEDULE OF VALUATION AND QUALIFYING ACCOUNTS

	Beginning Balance	Additions	Reductions	Ending Balance
		(in thousands)		
Allowance accounts for the years ended:				
September 30, 2001				
Uncollectible accounts receivable	$ 2,300	2,259	3,011	$ 1,548
Deferred tax asset valuation	$	16,416		$16,416
September 30, 2002				
Uncollectible accounts receivable	$ 1,548	2,465	2,437	$ 1,576
Deferred tax asset valuation	$16,416			$16,416
September 30, 2003				
Uncollectible accounts receivable	$ 1,576	2,470	1,725	$ 2,321
Deferred tax asset valuation	$16,416			$16,416