

STRAYER EDUCATION INC  
Form 10-K  
February 19, 2013

---

UNITED STATES SECURITIES AND EXCHANGE COMMISSION  
WASHINGTON, D.C. 20549

FORM 10-K

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

For the fiscal year ended December 31, 2012

Commission file number: 0-21039

STRAYER EDUCATION, INC.  
(Exact name of registrant as specified in its charter)

MARYLAND  
(State or other jurisdiction of  
incorporation or organization)

52-1975978  
(I.R.S. Employer Identification Number)

2303 Dulles Station Boulevard, Herndon, VA 20171  
(Address of principal executive offices)

REGISTRANT'S TELEPHONE NUMBER INCLUDING AREA CODE: (703) 247-2500

SECURITIES REGISTERED PURSUANT TO SECTION 12(b) OF THE ACT:

COMMON STOCK, \$.01 PAR VALUE  
(Title of class)

NASDAQ GLOBAL SELECT MARKET  
(Name of each exchange on  
which registered)

SECURITIES REGISTERED PURSUANT TO SECTION 12(g) OF THE ACT:  
NONE

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act:  Yes  No

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act:  Yes  No

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

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Website, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§ 229.405 of

this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files).  Yes  No

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K (Section 229.405 of this chapter) is not contained herein, and will not be contained, to the best of Registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K.

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

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

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

The aggregate market value of the voting and non-voting common stock held by non-affiliates (computed by reference to the price at which the common stock was last sold) as of June 29, 2012, the last business day of the Registrant's most recently completed second fiscal quarter, was approximately \$1.2 billion.

The total number of shares of common stock outstanding as of February 1, 2013 was 11,357,324.

#### DOCUMENTS INCORPORATED BY REFERENCE

Certain portions of the Registrant's Definitive Proxy Statement for its 2013 Annual Meeting of Stockholders (which is expected to be filed with the Commission within 120 days after the end of the Registrant's 2012 fiscal year) are incorporated by reference into Part III of this Report.

---

---

## STRAYER EDUCATION, INC.

## FORM 10-K

## INDEX

	Page
<b>PART I</b>	
Item 1	Business 4
Item 1A	Risk Factors 28
Item 1B	Unresolved Staff Comments 36
Item 2	Properties 36
Item 3	Legal Proceedings 36
Item 4	Mine Safety Disclosures 36
<b>PART II</b>	
Item 5	Market for Registrant's Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities 37
Item 6	Selected Financial Data 40
Item 7	Management's Discussion and Analysis of Financial Condition and Results of Operations 41
Item 7A	Quantitative and Qualitative Disclosures about Market Risk 47
Item 8	Financial Statements and Supplementary Data 48
Item 9	Changes in and Disagreements With Accountants on Accounting and Financial Disclosure 68
Item 9A	Controls and Procedures 68
Item 9B	Other Information 69
<b>PART III</b>	
Item 10	Directors, Executive Officers and Corporate Governance 70
Item 11	Executive Compensation 73
Item 12	Security Ownership of Certain Beneficial Owners and Management 73
Item 13	Certain Relationships and Related Transactions 73
Item 14	Principal Accounting Fees and Services 73
<b>PART IV</b>	
Item 15	Exhibits and Financial Statement Schedules 74
<b>SIGNATURES</b>	<b>75</b>

PART I

CAUTIONARY NOTICE REGARDING FORWARD-LOOKING STATEMENTS:

This document and the documents incorporated by reference herein include “forward-looking statements,” within the meaning of Section 27A of the Securities Act of 1933, as amended (the “Securities Act”), and Section 21E of the Securities Exchange Act of 1934, as amended (the “Exchange Act”), including, in particular, the statements about our plans, strategies and prospects under the headings “Management’s Discussion and Analysis of Financial Condition and Results of Operations” and “Business.” We have typically used the words “may,” “will,” “expect,” “believe,” “estimate,” “plan,” “intend” and similar expressions in this document and the documents incorporated by reference herein to identify forward-looking statements. We have based these forward-looking statements on our current views with respect to future events and financial performance. Actual results could differ materially from those projected in the forward-looking statements. These forward-looking statements are subject to many risks, uncertainties and assumptions, including, among other things:

- student enrollment;
- our continued compliance with Title IV of the Higher Education Act of 1965, as amended (the “Higher Education Act”), and the regulations thereunder, as well as state regulatory requirements and accrediting agency requirements;
- changes in regulation of the U.S. education industry and eligibility of proprietary schools to participate in U.S. federal student financial aid programs;
- risks related to the timing of regulatory approvals;
- competitive factors;
- our ability to continue to implement our online growth strategy;
- risks associated with the opening of new campuses;
- risks associated with the offering of new educational programs and adapting to other program changes;
- risks associated with the acquisition of educational institutions;
- risks associated with the ability of our students to finance their education in a timely manner; and
- general economic and market conditions.

You should not put undue reliance on any forward-looking statements. You should understand that many important factors, including those discussed under the headings “Management’s Discussion and Analysis of Financial Condition and Results of Operations” and “Business,” could cause our results to differ materially from those expressed or suggested in any forward-looking statements. Further information about these and other relevant risks and uncertainties may be found in Item 1A (“Risk Factors”) below and elsewhere in this Annual Report on Form 10-K and in our other filings with the Securities and Exchange Commission. We undertake no obligation to update or revise forward-looking statements, except as required by law.

References to “we,” “our” and the “Company” refer to Strayer Education, Inc., together in each case with our consolidated subsidiary unless the context suggests otherwise.



Item 1.

Business

Overview

Our company provides post-secondary education services. Our mission is to make higher education achievable for working adults in today's economy. We work to fulfill this mission by offering a variety of academic programs through our wholly-owned subsidiary Strayer University (the "University"), both in traditional classroom courses and online. Strayer University prides itself on making post-secondary education accessible to working adults who were previously unable to take advantage of higher education opportunities.

Founded in 1892, Strayer University is an institution of higher learning that offers undergraduate and graduate degree programs in business administration, accounting, information technology, education, health services administration, public administration, and criminal justice at 100 physical campuses in Alabama, Arkansas, Delaware, Florida, Georgia, Illinois, Indiana, Kentucky, Louisiana, Maryland, Minnesota, Mississippi, Missouri, New Jersey, North Carolina, Ohio, Pennsylvania, South Carolina, Tennessee, Texas, Utah, Virginia, West Virginia, Wisconsin, and Washington, D.C., and online. Strayer University also offers an executive MBA online through its Jack Welch Management Institute. For the 2012 fall term, we had approximately 52,000 students enrolled in our programs. Strayer University is accredited by the Middle States Commission on Higher Education ("Middle States" or "Middle States Commission"), one of the six regional collegiate accrediting agencies recognized by the U.S. Department of Education ("Department of Education"). As part of its program offering, the University also offers classes online, providing its working adult students more flexibility and convenience. Strayer University, with its online offerings, attracts students from around the country and throughout the world.

Over the last several years, we have grown primarily by expanding geographically with new campuses. Since our initial public offering in 1996, we have grown from eight campuses in one state and Washington, D.C., to 100 campuses in 24 states and Washington, D.C. We open new campuses in the promising areas of those states in which we currently operate physical campuses, as well as ones in contiguous states that exhibit strong demand for adult education in business and information technology programs. We have opened 86 of our campuses since the beginning of 2001. We have also developed a robust online education program. Since receiving regulatory approval to offer our degree programs online in 1997, our online programs have experienced significant growth. In the last five years, approximately 30% of our graduating students took 100% of their classes online.

Since 2001, when a new management team was hired and a new growth strategy adopted, we have made significant investments in new campuses where there is a strong demand for adult education and in information technology infrastructure to support growth in our online programs. As a result of these efforts, between 2000 and 2012 our revenues grew 18% on a compounded annual basis, from \$78 million in 2000 to \$562 million in 2012. Throughout this time, we continued to invest heavily in our various initiatives to serve working adult students. For more information relating to our revenues, profits and financial condition, please refer to "Management's Discussion and Analysis of Financial Condition and Results of Operations" and our consolidated financial statements included in this Annual Report on Form 10-K.

Industry Background and Outlook

The market for post-secondary education is large and highly fragmented, and has experienced significant growth. The U.S. Bureau of Labor Statistics has reported that approximately 62 million working adults in the United States do not have more than a high school education and approximately 34 million people have some college experience but no college degree. Although demand has been reduced during the difficult economic times the past few years, we believe that over time the demand for post-secondary education will increase as a result of demographic, economic and social trends, including:

- increasing demand by employers for professional and skilled workers;
- approximately 9% growth in the number of high school graduates from 2.8 million in 1999-2000 to 3.1 million in 2011-2012, despite a decline over the past two years;

the significant and measurable income premium and enhanced employment prospects attributable to post-secondary education; and

- budgetary constraints at traditional colleges and universities.

The adult education market is a significant component of the post-secondary education market. We believe that the market for post-secondary adult education should increase as working adults seek additional education to update and improve their skills. In addition, we believe that many working adults will seek degree programs from regionally accredited institutions that provide flexibility to accommodate the fixed schedules and time commitments associated with their professional, family and personal obligations.

According to the National Center for Education Statistics, in 2012 there were 2,968 four-year degree-granting institutions in the United States, including 682 public colleges and universities, 1,553 not-for-profit colleges and universities, and 733 for-profit institutions.

Growth in the market for post-secondary education has recently been negatively affected by the downturn in the economy as well as by the uncertainty associated with legislative and regulatory proposals. Controversy about the cost of higher education and the unemployment or under-employment of college graduates due to the difficult economic conditions may also have caused some prospective students to question the value proposition of higher education. According to the National Student Clearinghouse Research Center, college enrollments declined 1.8% in fall 2012. The industry is heavily dependent on continued availability of funding for programs under Title IV of the Higher Education Act (“Title IV programs”) and concerns about potential reductions in such funding also can reduce the level of growth.

### Company Strengths

We have a 121-year operating history and a track record of providing practical and convenient education programs for working adults. We believe the following strengths position us to capitalize on the demand for post-secondary education among working adults:

• **Consistent operating history.** We have been in continuous operation since 1892 and have demonstrated an ability to operate consistently and grow profitably.

• **Practical and diversified curricula.** We offer core curricula in stable, practical areas of adult education. In order to keep pace with a changing knowledge-based economy, we constantly strive to meet the evolving needs of our working adult students and their employers by regularly refining and updating our existing educational programs. In December 2011, we acquired the Jack Welch Management Institute, an online leadership education program that enables us to offer a differentiated executive MBA degree and executive certificates to students and employees of leading corporations. In addition, we are able to offer programs that are successful in a given region at other locations in our campus network. Strayer University currently offers approximately 90 different degree, diploma and certificate programs, including emphases and concentrations, to its students.

• **Focus on working adults pursuing degree programs.** We focus on serving working adults who are pursuing undergraduate and graduate degrees in order to advance their careers and employment opportunities. We believe this is an attractive market within the post-secondary education sector due to the number of adult students enrolling in post-secondary education programs and the highly motivated nature of adult students. We consider adult students to be our primary customers, with the various business and government organizations that provide tuition assistance to their employees as our secondary customers. In addition, we believe that the structure of our curriculum, featuring associate, bachelor’s and graduate-level degree programs, encourages students to continue their education and results in extended periods of student enrollment which positively impacts the visibility and predictability of our future revenues. Approximately 99% of our students were enrolled in degree programs for the 2012 fall term.

• **Flexible program offerings.** We maintain flexible quarterly programs that allow working adult students to attend classes and complete coursework on a convenient evening and weekend schedule throughout the calendar year. Our online programs enable students to pursue a degree partially or entirely via the Internet, thereby increasing the convenience, accessibility and flexibility of our educational programs. Approximately 60% of our students enrolled for the 2012 fall term were taking all of their courses online. We believe that these flexible offerings distinguish us from many traditional universities that currently do not effectively address the unique requirements of working adults.

• **Attractive and convenient campus locations.** Our campuses are located in growing metropolitan areas, mostly in the Mid-Atlantic and Southern regions where there are large populations of working adults with demographic characteristics similar to those of our typical students. Strayer University’s campuses are attractive and modern, offering conducive learning environments in convenient locations.



- Established brand name and alumni support. With a 121-year operating history, Strayer University is an established brand name in post-secondary adult education, and our students and graduates work throughout corporate America. Our alumni network fosters additional referral opportunities for students.

Strong owner-oriented management team. In connection with our recapitalization in 2001, we developed a new growth strategy and hired a new senior management team to implement this strategy. As described below, under the leadership of Robert S. Silberman, our Chairman and Chief Executive Officer, we embarked on various initiatives to serve the working adult market by expanding our campuses and developing an online learning platform. Our senior officers have made investments in Strayer through outright share purchases, in addition to any compensatory stock awards.

#### Company Strategy

Our goal is to be a leading, nationwide provider of post-secondary education programs that prepare working adults for advancement in their careers and professional lives primarily in the areas of business, accounting and information technology. We have identified the following factors as key to executing our growth strategy:

• Maintain stable enrollment in our mature markets. We have a total of 100 campuses in various stages of growth. Our experience has generally been that we enroll an incremental 100-150 students at a campus each year until it reaches an enrollment level of approximately 1,000 students. Once a campus has reached this state of maturity, we hope to maintain stable campus enrollment while increasing revenues with market-based tuition increases.

Open new campuses. Our goal is to serve demand for post-secondary education nationwide by opening new campuses in states in which we currently operate physical campuses, and in contiguous states that exhibit strong demand for adult education in business and information technology programs. Since our initial public offering in 1996, we have grown from eight campuses in one state and Washington, D.C. to 100 campuses in 24 states and Washington, D.C. We have opened 86 new campuses since the beginning of 2001. These campuses are set forth in the table below:

New Campuses Opened  
(since the beginning of 2001)

2001 Baltimore, MD (Owings Mills Campus)

Norfolk, VA (Chesapeake Campus)

Norfolk, VA (Newport News Campus)

2002 Charlotte, NC (North Charlotte Campus)

Charlotte, NC (South Charlotte Campus)

Raleigh-Durham, NC (Research Triangle Park Campus)

2003 Memphis, TN (Thousand Oaks Campus)

Nashville, TN

Raleigh-Durham, NC (North Raleigh Campus)

Philadelphia, PA (Lower Bucks Campus)

Philadelphia, PA (Delaware County Campus)

2004 Greenville, SC

Memphis, TN (Shelby Oaks Campus)

Atlanta, GA (Cobb County Campus)

Atlanta, GA (Chamblee Campus)

Philadelphia, PA (King of Prussia Campus)

2005 Tampa, FL (Tampa East Campus)

Tampa, FL (Tampa Westshore Campus)

Greensboro, NC

Columbia, SC

Atlanta, GA (Morrow Campus)

2006 Wilmington, DE

Philadelphia, PA (Center City Campus)

Pittsburgh, PA (Penn Center West Campus)

Pittsburgh, PA (Cranberry Woods Campus)

Norfolk, VA (Virginia Beach Campus)

Atlanta, GA (Roswell Campus)

Charleston, SC

Birmingham, AL

2007 Louisville, KY

Lexington, KY

Orlando, FL (Maitland Campus)

Orlando, FL (Orlando East Campus)



2007	Cherry Hill, NJ Willingboro, NJ Knoxville, TN					
2008	Charlotte, NC (Huntersville Campus) Raleigh, NC (South Raleigh Campus) Atlanta, GA (Lithonia Campus) Orlando, FL (Sandlake Campus) Jacksonville, FL Palm Beach, FL Ft. Lauderdale, FL Ft. Lauderdale, FL (Coral Springs Campus) Savannah, GA					
2009	Augusta, GA Huntsville, AL Allentown, PA Charleston, WV Salt Lake City, UT \$					
Net loss for the period	-	-	-	-	-	-
Balance, April 30, 2008	-	-	-	-	-	-
Issuance of common stock for cash	7,750,000	7,750	42	-	7,792	
Net loss for the period	-	-	-	(7,790 )	(7,790 )	
Balance, April 30, 2009	7,750,000	7,750	42	(7,790 )	2	
Net loss for the period	-	-	-	(23,429 )	(23,429 )	
Balance, April 30, 2010	7,750,000	7,750	42	(31,219 )	(23,427 )	
Net loss for the period	-	-	-	(6,972 )	(6,972 )	
Balance, July 31, 2010	7,750,000	\$ 7,750	\$42	\$(38,191 )	\$(30,399 )	

See accompanying notes to financial statements.

Table of Contents

EPHOTO IMAGE INC.  
(A DEVELOPMENT STAGE COMPANY)  
STATEMENTS OF CASH FLOWS (unaudited)  
For the period from September 20, 2007 (Date of Inception) through July 31, 2010

	Three months ended July 31, 2010	Three months ended July 31, 2009	Period from September 20, 2007 (Inception) to July 31, 2010
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Net loss and comprehensive loss	\$ (6,972 )	\$ (275 )	\$ (38,191)
Change in non-cash working capital items			
Accounts payable and accrued liabilities	6,972	275	14,500
<b>CASH FLOWS USED IN OPERATING ACTIVITIES</b>			
	-	-	(23,691)
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Proceeds from sale of common stock	-	-	7,792
Advances from shareholder	-	-	15,901
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
	-	-	23,693
<b>NET INCREASE IN CASH</b>			
	-	-	2
Cash, beginning of period	2	2	-
Cash, end of period	\$ 2	\$ 2	\$ 2
<b>SUPPLEMENTAL CASH FLOW INFORMATION</b>			
Interest paid	\$ -	\$ -	
Income taxes paid	\$ -	\$ -	

See accompanying notes to financial statements.

Table of Contents

EPHOTO IMAGE INC.

(A DEVELOPMENT STAGE COMPANY)  
NOTES TO THE FINANCIAL STATEMENTS  
July 31, 2010

NOTE 1 - BASIS OF PRESENTATION

The accompanying interim financial statements of Ephoto Image Inc. have been prepared in accordance with accounting principles generally accepted in the United States of America and the rules of the Securities and Exchange Commission (“SEC”), and should be read in conjunction with the audited financial statements and notes thereto contained in the Company’s registration statement filed with the SEC on Form 10-K. In the opinion of management, all adjustments, consisting of normal recurring adjustments, necessary for the financial statements to be not misleading have been reflected herein. The results of operations for interim periods are not necessarily indicative of the results to be expected for the full year. Notes to the financial statements which would substantially duplicate the disclosure contained in the audited financial statements for the most recent fiscal year 2010 as reported in Form 10-K, have been omitted.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Business

Ephoto Image Inc. (“Ephoto” or the “Company”) was incorporated in Nevada on September 20, 2007. Ephoto is a Development stage company and has not yet realized any revenues from its planned operations.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the balance sheet. Actual results could differ from those estimates.

Comprehensive Income

The Company has established standards for reporting and display of comprehensive income, its components and accumulated balances. When applicable, the Company would disclose this information on its Statement of Stockholders’ Equity. Comprehensive income comprises equity except those resulting from investments by owners and distributions to owners. The Company has not had any significant transactions that are required to be reported in other comprehensive income.

Income Tax

Deferred income taxes reflect the net effect of (a) temporary difference between carrying amounts of assets and liabilities for financial purposes and the amounts used for income tax reporting purposes, and (b) net operating loss carryforwards. No net provision for refundable Federal income tax has been made in the accompanying statement of loss because no recoverable taxes were paid previously. Similarly, no deferred tax asset attributable to the net operating loss carryforward has been recognized, as it is not deemed likely to be realized.

Table of Contents

EPHOTO IMAGE INC.

(A DEVELOPMENT STAGE COMPANY)  
 NOTES TO THE FINANCIAL STATEMENTS  
 July 31, 2010

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Cash and Cash Equivalents

The Company considers all highly liquid investments with the original maturities of three months or less to be cash equivalents

Basic Loss Per Share

Basic loss per share has been calculated based on the weighted average number of shares of common stock outstanding during the period.

Recent Accounting Pronouncements

Ephoto does not expect the adoption of recently issued accounting pronouncements to have a significant impact on the Company's results of operations, financial position or cash flow.

NOTE 3 - GOING CONCERN

Ephoto has recurring losses and has a deficit accumulated during the Development stage of \$38,191 as of July 31, 2010. Ephoto's financial statements are prepared using the generally accepted accounting principles applicable to a going concern, which contemplates the realization of assets and liquidation of liabilities in the normal course of business. However, Ephoto has no current source of revenue. Without realization of additional capital, it would be unlikely for Ephoto to continue as a going concern. Ephoto's management plans on raising cash from public or private debt or equity financing, on an as needed basis and in the longer term, revenues from the acquisition, Development and development of mineral interests, if found. Ephoto's ability to continue as a going concern is dependent on these additional cash financings, and, ultimately, upon achieving profitable operations.

NOTE 4 – INCOME TAXES

The provision for Federal income tax consists of the following:

	July 31, 2010
Refundable Federal income tax attributable to:	
Current Operations	\$ 2,370
Less: valuation allowance	(2,370)
Net provision for Federal income taxes	\$ -





Table of Contents

EPHOTO IMAGE INC.  
(AN DEVELOPMENT STAGE COMPANY)  
NOTES TO THE FINANCIAL STATEMENTS  
July 31, 2010

NOTE 4 – INCOME TAXES (continued)

The cumulative tax effect at the expected rate of 34% of significant items comprising our net deferred tax amount is as follows:

	July 31, 2010
Deferred tax asset attributable to:	
Net operating loss carryover	\$ 12,985
Less: valuation allowance	(12,985)
Net deferred tax asset	\$ -

At July 31, 2010, Ephoto had an unused net operating loss carryover approximating \$38,000 that is available to offset future taxable income; it expires beginning in 2029.

NOTE 5 – NOTE PAYABLE – RELATED PARTY

During the period ended April 30, 2010 the company received advances from a shareholder of \$15,901. The advances are non interest bearing and have no specified terms of repayment.

NOTE 6 – COMMON STOCK

At inception, Ephoto issued 5,600,000 shares of stock to its founding shareholder for \$5,600 cash.

During the year ended April 30, 2009, Ephoto issued 2,150,000 shares of stock for \$2,192 cash.

NOTE 7 – COMMITMENTS

Ephoto neither owns nor leases any real or personal property, an officer has provided office services without charge. Such costs are immaterial to the financial statements and accordingly are not reflected herein. The officers and directors are involved in other business activities and most likely will become involved in other business activities in the future.

NOTE 10 – SUBSEQUENT EVENTS

The Company has analyzed its operations subsequent to July 31, 2010 through September 16, 2010, the date these financial statements were issued, and has determined that it does not have any material subsequent events to disclose in these financial statements.



## Table of Contents

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

#### Forward-Looking Statements

Certain statements, other than purely historical information, including estimates, projections, statements relating to our business plans, objectives, and expected operating results, and the assumptions upon which those statements are based, are "forward-looking statements" within the meaning of the Private Securities Litigation Reform Act of 1995, Section 27A of the Securities Act of 1933 and Section 21E of the Securities Exchange Act of 1934. These forward-looking statements generally are identified by the words "believes," "project," "expects," "anticipates," "estimates," "intends," "strategy," "plan," "may," "will," "would," "will be," "will continue," "will likely result," and similar expressions. Such forward-looking statements to be covered by the safe-harbor provisions for forward-looking statements contained in the Private Securities Litigation Reform Act of 1995, and are including this statement for purposes of complying with those safe-harbor provisions. Forward-looking statements are based on current expectations and assumptions that are subject to risks and uncertainties which may cause actual results to differ materially from the forward-looking statements. Our ability to predict results or the actual effect of future plans or strategies is inherently uncertain. Factors which could have a material adverse affect on our operations and future prospects on a consolidated basis include, but are not limited to: changes in economic conditions, legislative/regulatory changes, availability of capital, interest rates, competition, and generally accepted accounting principles. These risks and uncertainties should also be considered in evaluating forward-looking statements and undue reliance should not be placed on such statements. We undertake no obligation to update or revise publicly any forward-looking statements, whether as a result of new information, future events or otherwise. Further information concerning our business, including additional factors that could materially affect our financial results, is included herein and in our other filings with the SEC.

#### Overview

We were incorporated as "ePhoto Image Inc." ("ePhoto") on September 20, 2007, in the State of Nevada for the purpose of developing digital image transaction software and a website through which visual artists can sell original photographic content specifically to both low-end and high-end users of stock photographic images, such as newsletter and magazine publishers and website designers based primarily in Asia. We hope that such a website, once established, will provide photographers, illustrators, graphic designers, animators, cinematographers and other visual artists a low-priced, online venue to sell their work to users of stock photographic images. Unlike many stock image houses presently operating in the market, our objective is to not purchase large portfolios of stock images from a select group of established photographers. Instead, we intend that photographers affiliated with our company will maintain ownership of their stock images. We plan to generate revenue by charging affiliate photographers a commission on the images they sell through our website. The images sold on our website will primarily feature Asian themes. We are currently in the process of designing and developing our software and our website, which will utilize the software to manage our database of images, display available images, and manage all associated transactions. We are continually refining this software and our website through research and trial runs. When we are satisfied that our software, website, and products will compete effectively in the Visual Content Industry by being the most cost-efficient and accessible software and website to offer a diverse selection of images from Asia, we will conduct the public launch of the website for use by visual artists and their potential customers.

We have not successfully launched our website or generated any revenues to date. The success of our business is dependent on building our website, acquiring artist images, and making commission from sales of artwork on our website. If we are unable to successfully implement our business plan, our business will fail and you will lose your entire investment in our company.

Edgar Filing: STRAYER EDUCATION INC - Form 10-K

Our offices are located at No. 181 Dragon Villas, No. 8 Shun An Nan Road, Shunyi County, Beijing, China. Our telephone number is 0086-137-175-28189.

Table of Contents

Results of Operations for the Three Months Ended July 31, 2010 and 2009 and Period from September 20, 2007 (Date of Inception) until July 31, 2010

We generated no revenue for the period from September 20, 2007 (Date of Inception) until July 31, 2010.

Our operating expenses during the three months ended July 31, 2010 were \$6,972, compared with \$275 for the same period ended July 31, 2009. Our operating expenses from September 20, 2007 (Date of Inception) to July 31, 2010 were \$37,023. Our operating expenses for all periods was wholly attributable to professional fees and registration and filing fees.

We, therefore, recorded a net loss of \$6,972 for the three months ended July 31, 2010, compared with a net loss of \$275 for the three months ended July 31, 2009. We had other expenses of \$1,168 and recorded a net loss of \$38,191 for the period from September 20, 2007 (Date of Inception) until July 31, 2010.

We anticipate our operating expenses will increase as we undertake our plan of operations. The increase will be attributable to the continued development of our Product and the professional fees associated with our becoming a reporting company under the Securities Exchange Act of 1934.

## Table of Contents

### Liquidity and Capital Resources

As of July 31, 2010, we had total current assets of \$2. We had \$30,401 in current liabilities as of July 31, 2010. Thus, we had a working capital deficit of \$30,399 as of July 31, 2010.

Operating activities used \$0 in cash for the period for the three months ended July 31, 2010 and equalled \$0 for the same period ended July 31, 2009. Operating activities used \$23,691 for the period from September 20, 2007 (Date of Inception) until July 31, 2010. Our net loss of \$38,191 offset by \$14,500 in accounts payable and accrued liabilities resulted in our negative operating cash flow. Financing Activities during the period from September 20, 2007 (Date of Inception) until July 31, 2010 generated \$23,693 in cash during the period, represented by \$7,792 received from the sale of common stock and \$15,901 received from officer loans.

We expect to spend approximately \$20,000 to implement our business plan over the coming year. Our accounting, legal and administrative expenses for the next twelve months are anticipated to be \$30,000.

As of July 31, 2010, we have insufficient cash to operate our business at the current level for the next twelve months and insufficient cash to achieve our business goals. The success of our business plan beyond the next 12 months is contingent upon us obtaining additional financing. We intend to fund operations through debt and/or equity financing arrangements, which may be insufficient to fund our capital expenditures, working capital, or other cash requirements. We do not have any formal commitments or arrangements for the sales of stock or the advancement or loan of funds at this time. There can be no assurance that such additional financing will be available to us on acceptable terms, or at all.

### Off Balance Sheet Arrangements

As of July 31, 2010, there were no off balance sheet arrangements.

### Going Concern

We have incurred losses since inception, have negative working capital, and have not yet received revenues from sales of products or services. These factors create substantial doubt about our ability to continue as a going concern. The financial statements do not include any adjustment that might be necessary if we are unable to continue as a going concern.

Our ability to continue as a going concern is dependent on generating cash from the sale of our common stock and/or obtaining debt financing and attaining future profitable operations. Management's plans include selling our equity securities and obtaining debt financing to fund our capital requirement and ongoing operations; however, there can be no assurance we will be successful in these efforts.

Table of Contents

Item 3. Quantitative and Qualitative Disclosures About Market Risk

A smaller reporting company is not required to provide the information required by this Item.

Item 4T. Controls and Procedures

We carried out an evaluation of the effectiveness of the design and operation of our disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) as of July 31, 2010. This evaluation was carried out under the supervision and with the participation of our Chief Executive Officer and our Chief Financial Officer, Petra Jaeger. Based upon that evaluation, our Chief Executive Officer and Chief Financial Officer concluded that, as of July 31, 2010, our disclosure controls and procedures are effective. There have been no changes in our internal controls over financial reporting during the quarter ended July 31, 2010.

Disclosure controls and procedures are controls and other procedures that are designed to ensure that information required to be disclosed in our reports filed or submitted under the Exchange Act are recorded, processed, summarized and reported, within the time periods specified in the SEC's rules and forms. Disclosure controls and procedures include, without limitation, controls and procedures designed to ensure that information required to be disclosed in our reports filed under the Exchange Act is accumulated and communicated to management, including our Chief Executive Officer and Chief Financial Officer, to allow timely decisions regarding required disclosure.

Limitations on the Effectiveness of Internal Controls

Our management does not expect that our disclosure controls and procedures or our internal control over financial reporting will necessarily prevent all fraud and material error. Our disclosure controls and procedures are designed to provide reasonable assurance of achieving our objectives and our Chief Executive Officer and Chief Financial Officer concluded that our disclosure controls and procedures are effective at that reasonable assurance level. Further, the design of a control system must reflect the fact that there are resource constraints, and the benefits of controls must be considered relative to their costs. Because of the inherent limitations in all control systems, no evaluation of controls can provide absolute assurance that all control issues and instances of fraud, if any, within the Company have been detected. These inherent limitations include the realities that judgments in decision-making can be faulty, and that breakdowns can occur because of simple error or mistake. Additionally, controls can be circumvented by the individual acts of some persons, by collusion of two or more people, or by management override of the internal control. The design of any system of controls also is based in part upon certain assumptions about the likelihood of future events, and there can be no assurance that any design will succeed in achieving its stated goals under all potential future conditions. Over time, control may become inadequate because of changes in conditions, or the degree of compliance with the policies or procedures may deteriorate.

Table of Contents

PART II – OTHER INFORMATION

Item 1. Legal Proceedings

We are not a party to any pending legal proceeding. We are not aware of any pending legal proceeding to which any of our officers, directors, or any beneficial holders of 5% or more of our voting securities are adverse to us or have a material interest adverse to us.

Item 1A: Risk Factors

A smaller reporting company is not required to provide the information required by this Item.

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

None

Item 3. Defaults upon Senior Securities

None

Item 4. (Removed and Reserved)

Item 5. Other Information

None

Item 6. Exhibits

Exhibit Description of Exhibit  
Number

31.1 Certification of Chief Executive Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002

31.2 Certification of Chief Financial Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002

32.1 Certification of Chief Executive Officer and Chief Financial Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002



Table of Contents

SIGNATURES

In accordance with the requirements of the Securities and Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

ePhoto Image, Inc.

Date: September 20, 2010

By: /s/ Petra

Jaeger

Petra Jaeger

Title: Chief Executive Officer and Director