March 14, 2016 ID Code 00015712

VIA E-MAIL ONLY

Mr. Todd Nelson
President and Chief Executive Officer
Career Education Corporation
231 North Martingale Road
Schaumburg, IL 60173-2007

Dear Mr. Nelson:

This letter is a request for updated information regarding the open adverse information against Career Education Corporation (CEC) and its campuses in 16 states that have been consolidated and are coordinated by the Attorney General of Connecticut. In addition, please provide updated information regarding the open adverse cases against CEC and its campuses by Attorneys General in the states of Colorado, Florida, Massachusetts and Minnesota.

Furthermore, please provide the Council with updated information regarding the Civil Investigative Demand that has been served to the Career Education Corporation (CEC) by the Federal Trade Commission to determine "whether unnamed persons, partnerships, corporations, or others have engaged or are engaging in deceptive or unfair acts or practices in or affecting commerce in the advertising, marketing or sale of secondary or postsecondary educational products or services, or educational accreditation products or services."

Please provide the Council with an update by **March 25, 2016**. Until this matter is resolved, please continue to provide information to the Council as it becomes available.

If you have any questions, please contact me at (202) 336-6781 or abieda@acics.org.

Sincerely,

(b)(6) [redacted]

Anthony S. Bieda
Vice President of External Affairs

Cc: Jill A. DeAtley, Vice President of Regulatory Operations, Career Education Corporation

CAREER EDUCATION CORPORATION

November 13, 2015

Via email to abieda@acics.org

Mr. Anthony S. Bieda
Vice President of External Affairs
Accrediting Council for Independent Colleges and Schools
750 First Street, NE, Suite 980
Washington, DC 20002-4241

Re: ID Code 00015712

Dear Mr. Bieda:

We have received your August 27, 2015, letter requesting an update regarding the Civil Investigative Demand that Career Education Corporation ("CEC") received from the Federal Trade Commission.

On November 4, 2015, we provided an update to this matter in a Form 10Q that was filed with the Securities and Exchange Commission for the quarter ended September 30, 2015. I have attached a copy of the complete filing for your review. Specifically, the following information is provided on page 17:

On August 20, 2015, the Company received a request for information pursuant to a Civil Investigative Demand from the U.S. Federal Trade Commission ("FTC"). The request was made pursuant to a November 2013 resolution by the FTC directing an investigation to determine whether unnamed persons, partnerships, corporations, or others have engaged or are engaging in deceptive or unfair acts or practices in or affecting commerce in the advertising, marketing or sale of secondary or postsecondary educational products or services, or educational accreditation products or services. The information request requires the Company to provide documents and information regarding a broad spectrum of the business and practices of its subsidiaries and institutions for the time period of January 1, 2010 to the present. The Company intends to cooperate with the FTC with a view towards resolving these inquiries as promptly as possible.

If it would be helpful, we would be pleased to provide you with a copy of the FTC's subpoena along with related materials which we have provided to the FTC in response. Otherwise, we will continue to update the Council as additional information becomes available.

If you have any questions, please contact me at 847-585-2627 or via email at JDeAtley@careered.com.

Sincerely,

Jill A. DeAtley

Jill A. DeAtley
Vice President, Regulatory Operations

Attachment
- Career Education Corporation Form 10Q filed November 4, 2015
- ACICS Letter from Anthony S. Bieda (ID Code 00015712) dated August 27, 2015

CECO 10-Q 9/30/2015

Section 1: 10-Q (10-Q)

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

FORM 10-Q

(Mark one)

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

FOR THE QUARTERLY PERIOD ENDED SEPTEMBER 30, 2015

OR

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

FOR THE TRANSITION PERIOD FROM ____TO______

Commission File Number: 0-23245

CAREER EDUCATION CORPORATION

(Exact name of registrant as specified in its charter)

Delaware	**36-3932190**
(State or other jurisdiction of incorporation or organization)	**(I.R.S. Employer Identification No.)**
231 N. Martingale Road Schaumburg, Illinois	**60173**
(Address of principal executive offices)	**(Zip Code)**

Registrant's telephone number, including area code: (847) 781-3600

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

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

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

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

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

Number of shares of registrant's common stock, par value $0.01, outstanding as of October 28, 2015: 67,996,409

CAREER EDUCATION CORPORATION
FORM 10-Q
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CAREER EDUCATION CORPORATION AND SUBSIDIARIES

CONDENSED CONSOLIDATED BALANCE SHEETS
(In thousands, except share amounts)

ASSETS	September 30, 2015 (unaudited)	December 31, 2014
CURRENT ASSETS:		
Cash and cash equivalents, unrestricted	$ 68,940	$ 93,832
Restricted cash	13,688	22,938
Short-term investments	116,790	122,858
Total cash and cash equivalents, restricted cash and short-term investments	199,418	239,628
Student receivables, net of allowance for doubtful accounts of $13,283 and $12,398 as of September 30, 2015 and December 31, 2014, respectively	27,696	24,564
Receivables, other, net	4,415	18,925
Prepaid expenses	13,360	14,679
Inventories	2,353	3,305
Other current assets	1,565	2,384
Assets held for sale	29,239	76,846
Assets of discontinued operations	347	473
Total current assets	278,393	380,804
NON-CURRENT ASSETS:		
Property and equipment, net	54,680	73,083
Goodwill	87,356	87,356
Intangible assets, net	7,900	9,819
Student receivables, net of allowance for doubtful accounts of $1,628 and $2,119 as of September 30, 2015 and December 31, 2014, respectively	2,874	2,926
Other assets	16,901	18,571
Assets of discontinued operations	780	975
TOTAL ASSETS	$ 448,884	$ 573,534
LIABILITIES AND STOCKHOLDERS' EQUITY		
CURRENT LIABILITIES:		
Short-term borrowings	$ —	$ 10,000
Accounts payable	28,293	21,968
Accrued expenses:		
Payroll and related benefits	31,208	29,545
Advertising and production costs	15,026	13,162
Income taxes	1,717	1,633
Other	22,295	21,440
Deferred tuition revenue	31,004	37,572
Liabilities held for sale	45,187	50,357
Liabilities of discontinued operations	12,355	15,506
Total current liabilities	187,085	201,183
NON-CURRENT LIABILITIES:		
Deferred rent obligations	34,999	48,381
Other liabilities	19,760	19,178
Liabilities of discontinued operations	12,597	22,859
Total non-current liabilities	67,356	90,418
STOCKHOLDERS' EQUITY:		
Preferred stock, $0.01 par value; 1,000,000 shares authorized; none issued or outstanding	—	—
Common stock, $0.01 par value; 300,000,000 shares authorized; 82,874,634 and 82,336,689 shares issued, 67,981,417 and 67,521,038 shares outstanding as of September 30, 2015 and December 31, 2014, respectively	829	823
Additional paid-in capital	610,063	606,531
Accumulated other comprehensive loss	(620)	(853)
Retained deficit	(200,242)	(109,403)
Cost of 14,893,217 and 14,815,651 shares in treasury as of September 30, 2015 and December 31, 2014, respectively	(215,587)	(215,165)
Total stockholders' equity	194,443	281,933
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	$ 448,884	$ 573,534

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

CAREER EDUCATION CORPORATION AND SUBSIDIARIES

UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF LOSS AND COMPREHENSIVE LOSS
(In thousands, except per share amounts)

	For the Quarter Ended September 30,		For the Year to Date Ended September 30,	
	2015	2014	2015	2014
REVENUE:				
Tuition and registration fees	$ 161,358	$ 181,761	$ 516,722	$ 563,806
Other	716	1,064	2,434	3,345
Total revenue	162,074	182,825	519,156	567,151
OPERATING EXPENSES:				
Educational services and facilities	54,201	60,790	163,101	181,429
General and administrative	112,705	132,090	373,218	409,587
Depreciation and amortization	5,962	8,739	19,860	28,052
Asset impairment	—	12,938	7,704	13,015
Total operating expenses	172,868	214,557	563,883	632,083
Operating loss	(10,794)	(31,732)	(44,727)	(64,932)
OTHER (EXPENSE) INCOME:				
Interest income	163	223	545	614
Interest expense	(170)	(103)	(502)	(292)
Loss on sale of business	(715)	—	(1,632)	—
Miscellaneous income (expense)	31	(39)	(377)	(147)
Total other (expense) income	(691)	81	(1,966)	175
PRETAX LOSS	(11,485)	(31,651)	(46,693)	(64,757)
Provision for (benefit from) income taxes	35	1,116	(923)	3,190
LOSS FROM CONTINUING OPERATIONS	(11,520)	(32,767)	(45,770)	(67,947)
LOSS FROM DISCONTINUED OPERATIONS, net of tax	(33,715)	(15,201)	(45,069)	(84,728)
NET LOSS	(45,235)	(47,968)	(90,839)	(152,675)
OTHER COMPREHENSIVE LOSS, net of tax:				
Unrealized gains (losses) on investments	81	(108)	233	(243)
COMPREHENSIVE LOSS	$ (45,154)	$ (48,076)	$ (90,606)	$ (152,918)
NET LOSS PER SHARE - BASIC and DILUTED:				
Loss from continuing operations	$ (0.17)	$ (0.49)	$ (0.68)	$ (1.01)
Loss from discontinued operations	(0.50)	(0.22)	(0.66)	(1.26)
Net loss per share	$ (0.67)	$ (0.71)	$ (1.34)	$ (2.27)
WEIGHTED AVERAGE SHARES OUTSTANDING:				
Basic and Diluted	67,961	67,209	67,798	67,121

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

CAREER EDUCATION CORPORATION AND SUBSIDIARIES

UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
(In thousands)

	For the Year to Date Ended September 30, 2015	2014
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net loss	$ (90,839)	$ (152,675)
Adjustments to reconcile net loss to net cash used in operating activities:		
Asset impairment	50,837	22,006
Depreciation and amortization expense	19,861	42,966
Bad debt expense	15,526	19,107
Compensation expense related to share-based awards	2,453	3,311
Loss on sale of businesses, net	1,632	311
(Gain) loss on disposition of property and equipment	(10)	32
Changes in operating assets and liabilities	(20,463)	(36,203)
Net cash used in operating activities	(21,003)	(101,145)
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchases of available-for-sale investments	(64,056)	(131,487)
Sales of available-for-sale investments	69,436	51,540
Purchases of property and equipment	(7,926)	(10,558)
Proceeds on the sale of assets	2,272	—
Payments of cash upon sale of businesses	(4,125)	(387)
Net cash used in investing activities	(4,399)	(90,892)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Issuance of common stock	1,082	575
Payment on borrowings	(10,000)	—
Change in restricted cash	9,250	(674)
Net cash provided by (used in) financing activities	332	(99)
EFFECT OF FOREIGN CURRENCY EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS:	178	121
NET DECREASE IN CASH AND CASH EQUIVALENTS	(24,892)	(192,015)
DISCONTINUED OPERATIONS CASH ACTIVITY INCLUDED ABOVE:		
Add: Cash balance of discontinued operations, beginning of the period	—	475
Less: Cash balance of discontinued operations, end of the period	—	—
CASH AND CASH EQUIVALENTS, beginning of the period	93,832	318,468
CASH AND CASH EQUIVALENTS, end of the period	$ 68,940	$ 126,928

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

1. DESCRIPTION OF THE COMPANY

Career Education's academic institutions offer a quality education to a diverse student population in a variety of disciplines through online, on-ground and hybrid learning programs. Our two universities – American InterContinental University ("AIU") and Colorado Technical University ("CTU") – provide degree programs through the master's or doctoral level as well as associate and bachelor's levels. Both universities predominantly serve students online with career-focused degree programs that are designed to meet the educational demands of today's busy adults. AIU and CTU continue to show innovation in higher education, advancing new personalized learning technologies like their intelli**path** ™ adaptive learning platform that allow students to more efficiently pursue earning a degree by receiving course credit for knowledge they can already demonstrate. Career Education is committed to providing quality education that closes the gap between learners who seek to advance their careers and employers needing a qualified workforce.

A detailed listing of individual campus locations and web links to Career Education's colleges, institutions and universities can be found at *www.careered.com.*

As used in this Quarterly Report on Form 10-Q, the terms "we," "us," "our," "the Company" and "CEC" refer to Career Education Corporation and our wholly-owned subsidiaries. The terms "college," "institution" and "university" refer to an individual, branded, proprietary educational institution owned by us and includes its campus locations. The term "campus" refers to an individual main or branch campus operated by one of our colleges, institutions or universities.

2. BASIS OF PRESENTATION

The accompanying unaudited condensed consolidated financial statements have been prepared in accordance with accounting principles generally accepted in the United States ("GAAP") for interim financial information and the instructions to Form 10-Q and Article 10 of Regulation S-X. Accordingly, the financial statements do not include all of the information and notes required by GAAP for complete financial statements. In the opinion of management, all adjustments, including normal recurring accruals, considered necessary for a fair presentation have been included. Operating results for the quarter ended September 30, 2015 are not necessarily indicative of the results that may be expected for the year ending December 31, 2015.

The unaudited condensed consolidated financial statements presented herein include the accounts of CEC and our wholly-owned subsidiaries (collectively, "CEC"). All intercompany transactions and balances have been eliminated.

We organize our business across three reporting segments: CTU, AIU (comprises University Group); and Transitional Group. Campuses included in our Transitional Group segment are those (i) currently being taught out and therefore no longer enrolling new students, (ii) campuses that completed their teach-out subsequent to January 1, 2015 or (iii) that have either been sold or are held for sale and which decisions were made subsequent to January 1, 2015. Those campuses in teach-out employ a gradual teach-out process, enabling them to continue to operate while current students complete their course of study. All prior periods have been recast to reflect our segments on a comparable basis and our results of operations for these campuses are recorded within continuing operations as part of the Transitional Group segment for all periods presented.

Effective January 1, 2015, ASC Topic 360 – *Property, Plant and Equipment,* limits discontinued operations reporting and thus as campuses cease teach-out operations on or after January 1, 2015, the results of operations for these campuses will remain within the results of continuing operations. Prior to January 1, 2015, campuses met the criteria for discontinued operations upon completion of the teach-out. During the third quarter of 2015, the Company completed the teach-out of one Transitional Group campus, Sanford-Brown Tyson's Corner, which continues to be reported as part of the Transitional Group as of September 30, 2015.

On September 1, 2015, the Company completed the sale of its Missouri College campus. The historical results of operations for the Missouri College campus continue to be reported within continuing operations as part of the Transitional Group and the loss on sale for this campus is reported within other (expense) income on our consolidated statements of loss and comprehensive loss.

3. RECENT ACCOUNTING PRONOUNCEMENTS

In July 2015, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") No. 2015-11, Inventory (Topic 330): *Simplifying the Measurement of Inventory.* The amendments in this ASU require an entity to measure in-scope inventory at the lower of cost and net realizable value, further clarifying consideration for net realizable value as estimated selling prices in the ordinary course of business less reasonably predictable costs of completion, disposal and transportation. This ASU more closely aligns the measurement of inventory in GAAP with the measurement of inventory in International Financial Reporting Standards ("IFRS"). For public business entities, ASU 2015-11 is effective for annual periods and interim periods beginning after December 15, 2016. The amendment in this ASU is prospectively applied with earlier adoption permitted. We are currently evaluating this guidance and do not believe the adoption will significantly impact the presentation of our financial condition, results of operations and disclosures.

In June 2015, the FASB issued ASU No. 2015-10, *Technical Corrections and Improvements*. This ASU represents changes to clarify the FASB Codification ("Codification"), correct unintended application of guidance, or make minor improvements to the Codification that are not expected to have a significant effect on current accounting practice or create significant administrative cost to most entities. The amendments are intended to make the Codification easier to understand and easier to apply by eliminating inconsistencies by providing needed clarifications and improving the presentation of guidance. For all entities, ASU 2015-10 is effective for annual periods and interim periods within those annual periods beginning after December 15, 2015; early adoption is permitted. We are currently evaluating changes to the applicable Codifications and do not believe the adoption will significantly impact the presentation of our financial condition, results of operations and disclosures.

In April 2015, the FASB issued ASU No. 2015-03, *Interest – Imputation of Interest (Subtopic 835-30): Simplifying the Presentation of Debt Issuance Costs*. This ASU is intended to simplify the presentation of debt issuance costs. The amendments in this ASU require that debt issuance costs related to a recognized debt liability be presented in the balance sheet as a direct deduction from the carrying amount of that debt liability, consistent with debt discounts. In August 2015, the FASB issued ASU 2015-15 clarifying that there is no objection to an entity deferring and presenting debt issuance costs related to line-of-credit arrangements as an asset and subsequently amortizing the deferred debt issuance costs ratably over the term of the line-of-credit arrangements, regardless of whether there are any outstanding borrowings on the line-of-credit arrangements. The amendments in ASU 2015-03 are effective for annual periods and interim periods within those annual periods beginning after December 15, 2015; early adoption is permitted. We are currently evaluating this guidance and do not believe the adoption will significantly impact the presentation of our financial condition, results of operations and disclosures.

In January 2015, the FASB issued ASU No. 2015-01, *Income Statement – Extraordinary and Unusual Items (Subtopic 225-20): Simplifying Income Statement Presentation by Eliminating the Concept of Extraordinary Items*. This ASU eliminates from GAAP the concept of extraordinary items. Subtopic 225-20 previously required that an entity separately classify, present, and disclose extraordinary events and transactions from the results of ordinary operations and show the items separately. The amendments in this ASU are effective for annual periods and interim periods within those annual periods, beginning after December 15, 2015; early adoption is permitted. We are currently evaluating this guidance and do not believe the adoption will significantly impact the presentation of our financial condition, results of operations and disclosures.

In August 2014, the FASB issued ASU No. 2014-15, *Presentation of Financial Statements – Going Concern (Subtopic 205-40): Disclosure of Uncertainties about an Entity's Ability to Continue as a Going Concern*. This ASU provides guidance to an organization's management, intended to define management's responsibility to evaluate whether there is a substantial doubt about an organization's ability to continue as a going concern and to provide guidance regarding related footnote disclosure. In connection with preparing financial statements for each annual and interim reporting period, an entity's management should evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the entity's ability to continue as a going concern within one year after the date that the financial statements are issued. Management's evaluation should be based on relevant conditions and events that are known and reasonably knowable at the date that the financial statements are issued. For all entities, ASU 2014-15 is effective for annual periods and interim periods within those annual periods beginning after December 15, 2016; early adoption is permitted. We are currently evaluating the impact that the adoption of ASU 2014-15 will have on our financial condition, results of operations and disclosures.

In June 2014, the FASB issued ASU No. 2014-12, *Compensation – Stock Compensation (Topic 718): Accounting for Share-Based Payments When the Terms of an Award Provide That a Performance Target Could Be Achieved after the Requisite Service Period.* This ASU standardizes the reporting for these awards by requiring that entities treat these performance targets as a performance condition. As such, the performance target should not be reflected in estimating the grant-date fair value of the award. Compensation cost should be recognized in the period in which it becomes probable that the performance target will be achieved and should represent the compensation cost attributable to the period(s) for which the requisite service has already been rendered. For all entities, ASU 2014-12 is effective for annual periods and interim periods within those annual periods beginning after December 15, 2015; early adoption is permitted. We are currently evaluating the impact that the adoption of ASU 2014-11 will have on our financial condition, results of operations and disclosures.

In May 2014, the FASB issued ASU No. 2014-09, *Revenue from Contracts with Customers (Topic 606).* ASU 2014-09 is principles based guidance that can be applied to all contracts with customers, enhancing comparability of revenue recognition practices across entities, industries, jurisdictions and capital markets. The core principle of the guidance is that entities should recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods and services. The guidance details the steps entities should apply to achieve the core principle. In August 2015, the FASB issued ASU 2015-14 approving a one-year deferral of the effective date for its new revenue standard for public and nonpublic entities reporting under US GAAP. The standard will be effective for public business entities for annual reporting periods beginning after December 15, 2017 and interim periods therein. Nonpublic entities would be required to adopt the new standard for annual reporting periods beginning after December 15, 2018, and interim periods within annual reporting periods beginning after December 15, 2019. Additionally, the FASB approved the option to early adopt prior to the original effective date (fiscal years beginning after December 15, 2016). We are currently evaluating the impact that the adoption of ASU 2014-09 will have on our financial condition, results of operations and disclosures.

In April 2014, the FASB issued ASU No. 2014-08, *Presentation of Financial Statements (Topic 205) and Property, Plant, and Equipment (Topic 360): Reporting Discontinued Operations and Disclosures of Disposals of Components of an Entity*. This ASU limits discontinued operations reporting to disposals of components of an entity that represent strategic shifts upon disposal that have (or will have) a major effect on an entity's operations and financial results. In addition, the amendments in this ASU require expanded disclosures for discontinued operations as well as for disposals that do not qualify as discontinued operations. This ASU is effective for us as of January 1, 2015. We have evaluated the impact that the adoption of ASU 2014-08 will have on our financial condition, results of operation and disclosures and believe the impact to be material. Previously, campuses within our Transitional Group would be reclassified as discontinued operations upon the teach-out date. Under the new guidance, campuses that complete their teach-out do not meet the definition of discontinued operations, with the exception of those that meet the definition of a "strategic shift" upon disposal. Therefore, revenues and any respective operating losses associated with these campuses that do not meet the definition of a "strategic shift" upon disposal remain within continuing operations for all periods presented. Additionally, we have provided increased disclosures surrounding discontinued operations as well as increased disclosures surrounding our campuses that have ceased operations but do not meet the requirements to be classified as discontinued operations.

4. DISPOSITIONS

On September 1, 2015, we completed the sale of our Missouri College campus, located in Brentwood, Missouri, to Weston Education Group, a postsecondary education school providing a variety of certificate and degree programs to students for thirty-four years. This sale reflects our strategy to focus our resources and attention on our universities – Colorado Technical University and American InterContinental University. The sale does not meet the definition of a strategic shift under ASC Topic 360 and is therefore reported within continuing operations in accordance with FASB ASC Topic 205 – *Presentation of Financial Statements*.

We received no consideration for the sale of Missouri College and recorded a loss on sale of $0.9 million for the quarter ended September 30, 2015. The terms of the agreement provide that we make certain working capital payments to the buyer; accordingly, these amounts were included in the loss calculation. The loss on sale is included within other (expense) income on our unaudited condensed consolidated statements of loss and comprehensive loss.

5. DISCONTINUED OPERATIONS

As of September 30, 2015, the results of operations for campuses that have ceased operations prior to 2015 and all our Le Cordon Bleu ("LCB") campuses that are held for sale are presented within discontinued operations. Prior to January 1, 2015, our Transitional Group campuses met the criteria for discontinued operations upon completion of their teach-out. Commencing January 1, 2015, in accordance with new guidance under ASC Topic 360, only campuses that meet the criteria of a strategic shift upon disposal will be classified within discontinued operations, among other criteria. During the third quarter of 2015, we did not have any campuses that met the criteria to be considered as a discontinued operation under the new guidance.

Results of Discontinued Operations

The summary of unaudited results of operations for our discontinued operations for the quarters and years to date ended September 30, 2015 and 2014 were as follows (dollars in thousands):

	For the Quarter Ended September 30, (1)		For the Year to Date Ended September 30, (1)	
	2015	2014	2015	2014
Revenue	$ 41,413	$ 44,656	$ 128,176	$ 134,076
Operating expenses:				
Educational services and facilities	21,124	23,197	60,528	85,363
General and administrative	20,583	30,771	69,657	109,762
Depreciation and amortization	—	4,403	1	14,914
Asset impairment (2)	33,446	1,547	43,133	8,991
Total operating expenses	75,153	59,918	173,319	219,030
Loss before income tax	$ (33,715)	$ (15,201)	$ (45,069)	$ (84,728)
Income tax expense (3)	—	—	—	—
Loss from discontinued operations, net of tax	$ (33,715)	$ (15,201)	$ (45,069)	$ (84,728)
Net loss per diluted share	$ (0.50)	$ (0.22)	$ (0.66)	$ (1.26)
Capital expenditures	$ 138	$ 1,110	$ 457	$ 1,714

(1) Includes the results of operations for our LCB campuses that are held for sale, which met the criteria to be considered discontinued operations under ASC Topic 360, in addition to our Transitional Group campuses that completed their teach-out prior to 2015.

(2) Asset impairment charges for the current year quarter and year to date relate to impairment recorded for our LCB campuses which are held for sale as a result of our fair value analysis.

(3) Due to the valuation allowance against our net deferred taxes, there is no income tax benefit reported for the quarters and years to date ended September 30, 2015 and 2014.

Assets and Liabilities of Discontinued Operations

Assets and liabilities of discontinued operations on our condensed consolidated balance sheets for campuses that have ceased operations or were sold as of September 30, 2015 and December 31, 2014 include the following (dollars in thousands):

	September 30, 2015	December 31, 2014
Assets:		
Current assets:		
Receivables, net	$ 334	$ 473
Other current assets	13	—
Total current assets	347	473
Non-current assets:		
Other assets, net	780	975
Total assets of discontinued operations (1)	$ 1,127	$ 1,448
Liabilities:		
Current liabilities:		
Accounts payable and accrued expenses	$ 172	$ 579
Remaining lease obligations	12,183	14,927
Total current liabilities	12,355	15,506
Non-current liabilities:		
Remaining lease obligations	12,434	22,689
Other	163	170
Total liabilities of discontinued operations (1)	$ 24,952	$ 38,365

(1) Excludes assets and liabilities for our LCB campuses which are presented within assets and liabilities held for sale on our condensed consolidated balance sheets as of September 30, 2015 and December 31, 2014. See Note 6 "Assets Held for Sale" for further details.

Remaining Lease Obligations

A number of the campuses that ceased operations prior to January 1, 2015 or vacated real estate properties for our LCB campuses held for sale, have remaining lease obligations that expire over time with the latest expiration in 2021. A liability is recorded representing the fair value of the remaining lease obligation at the time the space is no longer being utilized. Changes in our future remaining lease obligations, which are reflected within current and non-current liabilities of discontinued operations and within liabilities held for sale on our unaudited condensed consolidated balance sheets, for the quarters and years to date ended September 30, 2015 and 2014 were as follows (dollars in thousands):

	Balance, Beginning of Period	Charges Incurred (1)	Net Cash Payments	Other (2)	Balance, End of Period
For the quarter ended September 30, 2015	$ 29,588	$ 60	$ (3,456)	$ 50	$ 26,242
For the quarter ended September 30, 2014	$ 52,597	$ 121	$ (7,091)	$ 336	$ 45,963
For the year to date ended September 30, 2015	$ 39,869	$ (641)	$ (13,612)	$ 626	$ 26,242
For the year to date ended September 30, 2014	$ 46,755	$ 13,540	$ (19,881)	$ 5,549	$ 45,963

(1) Includes charges for newly vacated spaces and subsequent adjustments for accretion, revised estimates and variances between estimated and actual charges, net of any reversals for terminated lease obligations.

(2) Includes existing prepaid rent and deferred rent liability balances for newly vacated spaces that are netted with the losses incurred in the period recorded.

6. ASSETS HELD FOR SALE

As of September 30, 2015, the Company continues to believe the sale of our Le Cordon Bleu Culinary Arts campuses, which decision was announced in the fourth quarter of 2014, will occur within the current reporting year or we will have an executed agreement pending regulatory approval. The assets and liabilities for the LCB campuses are included within assets and liabilities held for sale on our condensed consolidated balance sheets as of September 30, 2015 and December 31, 2014. The sale of the LCB campuses met the criteria to be treated as discontinued operations under ASC Topic 360. Accordingly, the results of operations are reported within discontinued operations in the unaudited condensed consolidated statements of loss and comprehensive loss. As we anticipate the sale of these assets to be completed within one year of the decision to sell, we have recorded the assets and liabilities related to these institutions within current assets and liabilities held for sale as of September 30, 2015.

Results of Operations

The summary of unaudited results of operations for our assets held for sale for the quarters and years to date ended September 30, 2015 and 2014 were as follows (dollars in thousands):

Reported within loss from discontinued operations for our LCB campuses

	For the Quarter Ended September 30,		For the Year to Date Ended September 30,	
	2015	2014	2015	2014
Revenue	$ 41,410	$ 44,499	$ 128,170	$ 129,312
Operating Expenses:				
Educational services and facilities	20,687	21,750	59,745	61,055
General and administrative	20,473	29,546	68,804	96,894
Depreciation and amortization	—	4,282	1	12,860
Asset impairment	33,446	1,523	43,133	8,923
Total operating expenses	74,606	57,101	171,683	179,732
Operating loss	$ (33,196)	$ (12,602)	$ (43,513)	$ (50,420)

During the third quarter of 2015, we revalued our LCB campuses held for sale in accordance with ASC Topic 360 – *Property, Plant and Equipment*, and as a result recorded an impairment charge of $33.4 million. The determination of estimated fair value was based upon the receipt of indications of interest and this fair value measurement is categorized as Level 3 per ASC Topic 820, as little or no market data exists for these assets.

Assets and Liabilities of Assets Held for Sale

Assets and liabilities of assets held for sale on our condensed consolidated balance sheets as of September 30, 2015 and December 31, 2014 include the following (dollars in thousands):

	September 30, 2015	December 31, 2014
Assets:		
Receivables, net	$ 6,719	$ 8,303
Property and equipment, net	40,646	42,521
Other intangible assets	18,400	18,400
Other assets	6,600	7,622
Valuation allowance (1)	(43,126)	—
Total assets held for sale	$ 29,239	$ 76,846
Liabilities:		
Accounts payable and accrued expenses	$ 9,712	$ 12,410
Deferred revenue	17,857	17,001
Remaining lease obligations	1,625	2,253
Other liabilities	15,993	18,693
Total liabilities held for sale	$ 45,187	$ 50,357

(1) During the third quarter of 2015, the valuation allowance against our LCB assets held for sale was adjusted to $43.1 million to reflect the updated fair value for the LCB asset held for sale.

7. INVESTMENTS

Investments consist of the following as of September 30, 2015 and December 31, 2014 (dollars in thousands):

	September 30, 2015			
		Gross Unrealized		
	Cost	Gain	(Loss)	Fair Value
Short-term investments (available for sale):				
Municipal bonds	$ 2,795	$ —	$ (27)	$ 2,768
Non-governmental debt securities	86,932	11	(115)	86,828
Treasury and federal agencies	27,179	21	(6)	27,194
Total short-term investments	116,906	32	(148)	116,790
Long-term investments (available for sale):				
Municipal bond	7,850	—	(476)	7,374
Total investments (available for sale)	$ 124,756	$ 32	$ (624)	$ 124,164

	December 31, 2014			
		Gross Unrealized		
	Cost	Gain	(Loss)	Fair Value
Short-term investments (available for sale):				
Municipal bonds	$ 6,880	$ 1	$ (56)	$ 6,825
Non-governmental debt securities	98,400	1	(271)	98,130
Treasury and federal agencies	17,928	6	(31)	17,903
Total short-term investments	123,208	8	(358)	122,858
Long-term investments (available for sale):				
Municipal bond	7,850	—	(476)	7,374
Total investments (available for sale)	$ 131,058	$ 8	$ (834)	$ 130,232

Our long-term investment in a municipal bond is comprised of debt obligations issued by states, cities, counties and other governmental entities, which earn federally tax-exempt interest. Our investment in an auction rate security ("ARS") has a stated term to maturity of greater than one year, and as such, we classify our investment in ARS as non-current on our condensed consolidated balance sheets within other assets. Auctions can "fail" when the number of sellers of the security exceeds the buyers for that particular auction period. In the event that an auction fails, the interest rate resets at a rate based on a formula determined by the individual security. The ARS for which auctions have failed continues to accrue interest and is auctioned on a set interval until the auction succeeds, the issuer calls the security, or it matures. As of September 30, 2015, we have determined this investment is at risk for impairment due to the nature of the liquidity of the market over the past several years. Cumulative unrealized losses as of September 30, 2015 amount to $0.5 million and are reflected within accumulated other comprehensive loss as a component of stockholders' equity. We believe this impairment is temporary, as we do not intend to sell the investment and it is unlikely we will be required to sell the investment before recovery of its amortized cost basis.

Our non-governmental debt securities primarily consist of corporate bonds and commercial paper. Our treasury and federal agencies primarily consist of U.S. Treasury bills and federal home loan debt securities. We do not intend to sell our investments in these securities and it is not likely that we will be required to sell these investments before recovery of the amortized cost basis.

Fair Value Measurements

FASB ASC Topic 820 – *Fair Value Measurements* establishes a three-tier fair value hierarchy, which prioritizes the inputs used in measuring fair value. These tiers include: Level 1, defined as observable inputs such as quoted prices in active markets; Level 2, defined as inputs other than quoted prices in active markets that are either directly or indirectly observable; and Level 3, defined as unobservable inputs in which little or no market data exists, therefore requiring an entity to develop its own assumptions.

As of September 30, 2015, we held investments that are required to be measured at fair value on a recurring basis. These investments (available-for-sale) consist of non-governmental debt securities, treasury and federal agencies and municipal bonds that are publicly traded and our investment in an ARS. Available for sale securities included in Level 2 are estimated based on observable inputs other than quoted prices in active markets for identical assets and liabilities, quoted prices for identical or similar assets or liabilities in inactive markets, or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities. Our investment in an ARS is categorized as Level 3 and fair value is estimated utilizing a discounted cash flow analysis as of September 30, 2015 which considers, among other items, the collateralization underlying the security investment, the credit worthiness of the counterparty, the time of expected future cash flows, and the expectation of the next time the security is expected to have a successful auction. The auction event for our ARS investment has failed for multiple years. The security was also compared, when possible, to other observable market data with similar characteristics.

Investments measured at fair value on a recurring basis subject to the disclosure requirements of FASB ASC Topic 820 – *Fair Value Measurements* at September 30, 2015 and December 31, 2014 were as follows (dollars in thousands):

	As of September 30, 2015			
	Level 1	Level 2	Level 3	Total
Municipal bonds	$ —	$ 2,768	$ 7,374	$ 10,142
Non-governmental debt securities	—	86,828	—	86,828
Treasury and federal agencies	—	27,194	—	27,194
Totals	$ —	$ 116,790	$ 7,374	$ 124,164

	As of December 31, 2014			
	Level 1	Level 2	Level 3	Total
Municipal bonds	$ —	$ 6,825	$ 7,374	$ 14,199
Non-governmental debt securities	—	98,130	—	98,130
Treasury and federal agencies	—	17,903	—	17,903
Totals	$ —	$ 122,858	$ 7,374	$ 130,232

The following table presents a rollforward of our assets measured at fair value on a recurring basis using significant unobservable inputs (Level 3) as defined in FASB ASC Topic 820 for the year to date ended September 30, 2015 (dollars in thousands):

Balance at December 31, 2014	$ 7,374
Unrealized gain (loss)	—
Balance at September 30, 2015	$ 7,374

Equity Method Investment

Our investment in an equity affiliate, which is recorded within other noncurrent assets on our condensed consolidated balance sheet, represents an international investment in a private company. As of September 30, 2015, our investment in an equity affiliate equated to a 30.7%, or $4.2 million, non-controlling interest in CCKF, a Dublin-based educational technology company providing intelligent adaptive systems to power the delivery of individualized and personalized learning. During the quarter ended September 30, 2015, we recorded less than $0.1 million of loss related to our proportionate investment in CCKF within miscellaneous expense on our unaudited condensed consolidated statements of loss and comprehensive loss. In the prior year quarter, this investment was recorded as a cost method investment.

Credit Agreement

During the fourth quarter of 2014, the Company; its wholly-owned subsidiary, CEC Educational Services, LLC ("CEC-ES"); and the subsidiary guarantors thereunder entered into a First Amendment (the "First Amendment") to its Amended and Restated Credit Agreement dated as of December 30, 2013 (as amended, the "Credit Agreement") with BMO Harris Bank N.A. ("BMO Harris"), in its capacities as the initial lender and letter of credit issuer thereunder and the administrative agent for the lenders which from time to time may be parties to the Credit Agreement, to among other things, increase the revolving credit facility to $120.0 million. The revolving credit facility under the Credit Agreement is scheduled to mature on June 30, 2016. The loans and letter of credit obligations under the Credit Agreement are required to be secured by 100% cash collateral. As of September 30, 2015, there were no outstanding borrowings under the revolving credit facility.

8. STUDENT RECEIVABLES

Student receivables represent funds owed to us in exchange for the educational services provided to a student. Student receivables are reflected net of an allowance for doubtful accounts and net of deferred tuition revenue. Student receivables, net are reflected on our condensed consolidated balance sheets as components of both current and non-current assets. We do not accrue interest on past due student receivables; interest is recorded only upon collection.

Generally, a student receivable balance is written off once it reaches greater than 90 days past due. Although we analyze past due receivables, it is not practical to provide an aging of our non-current student receivable balances as a result of the methodology utilized in determining our earned student receivable balances. Student receivables are recognized on our condensed consolidated balance sheets as they are deemed earned over the course of a student's program and/or term, and therefore cash collections are not applied against specifically dated transactions.

Our standard student receivable allowance estimation methodology considers a number of factors that, based on our collection experience, we believe have an impact on our repayment risk and ability to collect student receivables. Changes in the trends in any of these factors may impact our estimate of the allowance for doubtful accounts. These factors include, but are not limited to: internal repayment history, repayment practices of previous extended payment programs and information provided by a third-party institution who previously offered similar extended payment programs, changes in the current economic, legislative or regulatory environments and credit worthiness of our students. These factors are monitored and assessed on a regular basis. Overall, our allowance estimation process for student receivables is validated by trending analysis and comparing estimated and actual performance.

Student Receivables Under Extended Payment Plans and Recourse Loan Agreements

To assist students in completing their educational programs, we had previously provided extended payment plans to certain students and also had loan agreements with Sallie Mae and Stillwater National Bank and Trust Company ("Stillwater") which required us to repurchase loans originated by them to our students after a certain period of time. We discontinued providing extended payment plans to students during the first quarter of 2011 and the recourse loan agreements with Sallie Mae and Stillwater ended in March 2008 and April 2007, respectively.

As of September 30, 2015 and December 31, 2014, the amount of non-current student receivables under these programs, net of allowance for doubtful accounts and net of deferred tuition revenue, was $2.9 million for each period.

Student Receivables Valuation Allowance

Changes in our current and non-current receivables allowance for the quarters and years to date ended September 30, 2015 and 2014 were as follows (dollars in thousands):

	Balance, Beginning of Period	Charges to Expense (1)	Amounts Written-off	Balance, End of Period
For the quarter ended September 30, 2015	$ 14,359	$ 5,527	$ (4,975)	$ 14,911
For the quarter ended September 30, 2014	$ 16,582	$ 5,852	$ (6,449)	$ 15,985
For the year to date ended September 30, 2015	$ 14,517	$ 13,945	$ (13,551)	$ 14,911
For the year to date ended September 30, 2014	$ 17,570	$ 16,572	$ (18,157)	$ 15,985

(1) Charges to expense include an offset for recoveries of amounts previously written off of $1.0 million and $1.4 million for the quarters ended September 30, 2015 and 2014, respectively, and $3.3 million and $4.5 million for the years to date ended September 30, 2015 and 2014, respectively.

Fair Value Measurements

The carrying amount reported in our condensed consolidated balance sheets for the current portion of student receivables approximates fair value because of the nature of these financial instruments as they generally have short maturity periods. It is not practicable to estimate the fair value of the non-current portion of student receivables, since observable market data is not readily available, and no reasonable estimation methodology exists.

9. RESTRUCTURING CHARGES

During the past several years and through the current year quarter, we have carried out reductions in force related to the continued reorganization of our corporate and campus functions to better align with current total enrollments and made decisions to teach out a number of campuses, meaning gradually close the campuses through an orderly process. As part of the process to wind down these teach-out campuses, the Company also announced that it will align its corporate overhead to support a more streamlined and focused operating entity. Most notably, we have recorded charges within our Transitional Group segment and our corporate functions as we continue to align our overall management structure. Each of our teach-out campuses offer current students the reasonable opportunity to complete their course of study. The majority of these teach-out campuses are expected to cease operations by 2017 with the remainder expected to cease operations in 2018.

The following table details the changes in our accrual for severance and related costs associated with all restructuring events for our continuing operations during the quarters and years to date ended September 30, 2015 and 2014 (dollars in thousands):

	Balance, Beginning of Period	Severance & Related Charges (1) (2)	Payments	Non-cash Adjustments (3)	Balance, End of Period
For the quarter ended September 30, 2015	$ 12,552	$ 52	$ (2,214)	$ (761)	$ 9,629
For the quarter ended September 30, 2014	$ 2,366	$ 3,195	$ (338)	$ (52)	$ 5,171
For the year to date ended September 30, 2015	$ 2,701	$ 13,432	$ (5,223)	$ (1,281)	$ 9,629
For the year to date ended September 30, 2014	$ 3,243	$ 3,195	$ (1,032)	$ (235)	$ 5,171

(1) Includes charges related to COBRA and outplacement services which are assumed to be completed by the third month following an employee's departure.
(2) Severance payments will result in future cash expenditures through 2018.
(3) Includes cancellations due to employee departures prior to agreed upon end dates, employee transfers to open positions within the organization and subsequent adjustments to severance and related costs.

Severance and related expenses for the quarters and years to date ended September 30, 2015 and 2014 by reporting segment is as follows (dollars in thousands):

	For the Quarter Ended September 30,		For the Year to Date Ended September 30,	
	2015	2014	2015	2014
CTU	$ 18	$ 426	$ 306	$ 426
AIU	4	96	343	96
Total University Group	22	522	649	522
Corporate and Other	—	997	4,318	997
Transitional Group	30	1,676	8,465	1,676
Total	$ 52	$ 3,195	$ 13,432	$ 3,195

The current portion of the accrual for severance and related charges was $6.6 million and $4.0 million as of September 30, 2015 and September 30, 2014, respectively, which is recorded within current accrued expenses – payroll and related benefits; the long-term portion of $3.0 million and $1.2 million, respectively, is recorded within other non-current liabilities. In addition, as of September 30, 2015, we have accrued approximately $1.3 million related to retention bonuses that have been offered to certain employees. These amounts will be recorded ratably over the period the employees are retained; $0.7 million was recorded during the quarter ended September 30, 2015.

In addition to the severance charges detailed above, a number of the teach-out campuses will have remaining lease obligations following the eventual campus closure, with the longest lease term being through 2023. The total remaining estimated charge as of September 30, 2015, for all restructuring events reported within continuing operations related to the remaining lease obligation for these leases, once the campus completes the close process, and adjusted for possible lease buyouts and sublease assumptions is approximately $20 million - $25 million. The amount related to each campus will be recorded at each campus closure date based on current estimates and assumptions related to the amount and timing of sublease income. This is in addition to approximately $10.9 million and $13.1 million of charges related to remaining obligations which were recorded during the current year quarter and year to date, respectively.

10. CONTINGENCIES

An accrual for estimated legal fees and settlements of $2.6 million and $2.3 million at September 30, 2015 and December 31, 2014, respectively, is presented within other current liabilities on our condensed consolidated balance sheets.

We record a liability when we believe that it is both probable that a loss will be incurred and the amount of loss can be reasonably estimated. We evaluate, at least quarterly, developments in our legal matters that could affect the amount of liability that was previously accrued, and make adjustments as appropriate. Significant judgment is required to determine both probability and the estimated amount. We may be unable to estimate a possible loss or range of possible loss due to various reasons, including, among others: (1) if the damages sought are indeterminate; (2) if the proceedings are in early stages; (3) if there is uncertainty as to the outcome of pending appeals, motions, or settlements; (4) if there are significant factual issues to be determined or resolved; and (5) if there are novel or unsettled legal theories presented. In such instances, there is considerable uncertainty regarding the ultimate resolution of such matters, including a possible eventual loss, if any.

Litigation

We are, or were, a party to the following legal proceedings that we consider to be outside the scope of ordinary routine litigation incidental to our business. Due to the inherent uncertainties of litigation, we cannot predict the ultimate outcome of these matters. An unfavorable outcome of any one or more of these matters could have a material adverse impact on our business, results of operations, cash flows and financial position.

Student Litigation

Enea, et al. v. Career Education Corporation, California Culinary Academy, Inc., SLM Corporation, and Sallie Mae, Inc. Plaintiffs filed this putative class action in the Superior Court State of California, County of San Francisco, on or about June 27, 2013. Plaintiffs allege that CCA materially misrepresented the placement rates of its graduates, falsely stated that admission to the culinary school was competitive and that the school had an excellent reputation among restaurants and other food service providers, represented that the culinary schools were well-regarded institutions producing skilled graduates who employers eagerly hired, and lied by telling students that the school provided graduates with career placement services for life. The class purports to consist of persons who executed Parent Plus loans or co-signed loans for students who attended CCA at any time between January 1, 2003 and December 31, 2008. Plaintiffs seek restitution, damages, civil penalties and attorneys' fees.

Defendants filed a motion to dismiss and to strike class action allegations on October 31, 2013. A hearing on the motions was conducted on March 14, 2014. Thereafter, the Court issued two separate orders granting the motion to strike the class allegations and the motion to dismiss without leave to amend. Plaintiffs filed a motion seeking leave to file a third amended complaint and/or for reconsideration of the Court's orders. On May 9, 2014, the Court denied plaintiffs' motion to reconsider its order striking the class allegations and granted plaintiffs leave to file a third amended complaint as to some, but not all, of plaintiffs' claims. On May 15, 2014, plaintiffs appealed the Court's ruling with respect to the motion to strike the class allegations. The Court has stayed the case pending a ruling on the appeal.

Because of the many questions of fact and law that may arise in the future, the outcome of this legal proceeding is uncertain at this point. Based on information available to us at present, we cannot reasonably estimate a range of potential loss, if any, for this action because, among other things, our potential liability depends on whether a class is certified and, if so, the composition and size of any such class, as well as on an assessment of the appropriate measure of damages if we were to be found liable. Accordingly, we have not recognized any liability associated with this action.

Surrett, et al. v. Western Culinary Institute, Ltd. and Career Education Corporation. On March 5, 2008, a complaint was filed in Portland, Oregon in the Circuit Court of the State of Oregon in and for Multnomah County naming Western Culinary Institute, Ltd. ("WCI") and the Company as defendants. Plaintiffs filed the complaint individually and as a putative class action and alleged two claims for equitable relief: violation of Oregon's Unlawful Trade Practices Act ("UTPA") and unjust enrichment. Plaintiffs filed an amended complaint on April 10, 2008, which added two claims for money damages: fraud and breach of contract. Plaintiffs allege WCI made a variety of misrepresentations to them, relating generally to WCI's placement statistics, students' employment prospects upon graduation from WCI, the value and quality of an education at WCI, and the amount of tuition students could expect to pay as compared to salaries they could expect to earn after graduation. WCI subsequently moved to dismiss certain of plaintiffs' claims under Oregon's UTPA; that motion was granted on September 12, 2008. On February 5, 2010, the Court entered a formal Order granting class certification on part of plaintiff's UTPA and fraud claims purportedly based on omissions, denying certification of the rest of those claims and denying certification of the breach of contract and unjust enrichment claims. The class consists of students who enrolled at WCI between March 5, 2006 and March 1, 2010, excluding those who dropped out or were dismissed from the school for academic reasons.

Plaintiffs filed a fifth amended complaint on December 7, 2010, which included individual and class allegations by Nathan Surrett. Class notice was sent on April 22, 2011, and the opt-out period expired on June 20, 2011. The class consisted of approximately 2,600 members. They are seeking tuition refunds, interest and certain fees paid in connection with their enrollment at WCI.

On May 23, 2012, WCI filed a motion to compel arbitration of claims by 1,062 individual class members who signed enrollment agreements containing express class action waivers. The Court issued an Order denying the motion on July 27, 2012. On August 6, 2012, WCI filed an appeal from the Court's Order and on August 30, 2012, the Court of Appeals issued an Order granting WCI's motion to compel the trial court to cease exercising jurisdiction in the case. The oral argument on the appeal was heard on May 9, 2014 and we are awaiting the Court's decision. All proceedings with the trial court have been stayed pending the outcome of the appeal.

Because of the many questions of fact and law that have already arisen and that may arise in the future, the outcome of this legal proceeding is uncertain at this point. Based on information available to us at present, we cannot reasonably estimate a range of potential loss, if any, for this action because of the inherent difficulty in assessing the appropriate measure of damages and the number of class members who might be entitled to recover damages, if we were to be found liable. Accordingly, we have not recognized any liability associated with this action.

False Claims Act

United States of America, ex rel. Melissa Simms Powell, et al. v. American InterContinental University, Inc., a Georgia Corporation, Career Education Corp., a Delaware Corporation and John Doe Nos. 1-100. On July 28, 2009, we were served with a complaint filed in the U.S. District Court for the Northern District of Georgia, Atlanta Division. The complaint was originally filed under seal on July 14, 2008 by four former employees of the Dunwoody campus of our American InterContinental University on behalf of themselves and the federal government. On July 27, 2009, the Court ordered the complaint unsealed and we were notified that the U.S. Department of Justice declined to intervene in the action. When the federal government declines to intervene in a False Claims Act action, as it has done in this case, the private plaintiffs (or "relators") may elect to pursue the litigation on behalf of the federal government and, if they are successful, receive a portion of the federal government's recovery. The action alleges violations of the False Claims Act and promissory fraud, including allegedly providing false certifications to the federal government regarding compliance with certain provisions of the Higher Education Act and accreditation standards. Relators claim that defendants' conduct caused the government to pay federal funds to defendants and to make payments to third-party lenders, which the government would not have made if not for defendants' alleged violation of the law. Relators seek treble damages plus civil penalties and attorneys' fees.

On July 12, 2012, the Court granted our motion to dismiss for a lack of jurisdiction, the claims related to incentive compensation and proof of graduation. Thus, the only claim that remained pending against defendants was based on relators' contention that defendants misled the school's accreditor, Southern Association of Colleges and Schools, during the accreditation process. On December 16, 2013, we filed a motion for summary judgment on a variety of substantive grounds. On September 29, 2014, the Court granted our motion for summary judgment and entered judgment in our favor. On October 2, 2014, relators filed a notice of appeal. The appeal was stayed pending the United States Supreme Court's decision in *Kellogg Brown & Root Servs., Inc. v. U.S. ex rel. Carter*, No. 12-1497. The Supreme Court issued its decision and relators moved to lift the stay and remand the case to the district court. The case has been remanded to the district court. The district court is currently considering additional arguments regarding whether it has jurisdiction over relators' remaining claims.

Because of the many questions of fact and law that may arise on remand to the district court, the outcome of this legal proceeding is uncertain at this point. Based on information available to us at present, we cannot reasonably estimate a range of potential loss, if any, for this action because the complaint does not seek a specified amount of damages and it is unclear how damages would be calculated, if we were to be found liable. Moreover, the case presents novel legal issues. Accordingly, we have not recognized any liability associated with this action.

United States of America, ex rel. Brent M. Nelson v. Career Education Corporation, Sanford-Brown, Ltd., and Ultrasound Technical Services, Inc. On April 18, 2013, defendants were served with an amended complaint filed in the U.S. District Court for the Eastern District of Wisconsin. The original complaint was filed under seal on July 30, 2012 by a former employee of Sanford-Brown College Milwaukee on behalf of himself and the federal government. On February 27, 2013, the Court ordered the complaint unsealed and we were notified that the U.S. Department of Justice declined to intervene in the action. After the federal government declined to intervene in this case, the relator elected to pursue the litigation on behalf of the federal government. If he is successful he would receive a portion of the federal government's recovery. An amended complaint was filed by the relator on April 12, 2013 and alleges violations of the False Claims Act, including allegedly providing false certifications to the federal government regarding compliance with certain provisions of the Higher Education Act and accreditation standards. Relator claims that defendants' conduct caused the government to pay federal funds to defendants, and to make payments to third-party lenders, which the government would not have made if not for defendants' alleged violation of the law. Relator seeks treble damages plus civil penalties and attorneys' fees. On June 11, 2013, defendants filed a motion to dismiss the case on a variety of grounds. The Court ruled on that motion, dismissing CEC from the case and dismissing several of the relator's factual claims. On November 27, 2013, Sanford Brown, LTD., and Ultrasound Technical Services, Inc., the remaining Company defendants, filed a motion to dismiss the case for lack of subject matter jurisdiction due to prior public disclosures of the relator's alleged claims. On March 17, 2014, the Court granted this motion in part, limiting the timeframe and geographical scope of the relator's claims. On June 13, 2014, the Court granted the remaining Company defendants' motion for summary judgment and entered judgment in their favor. On July 9, 2014, relator filed a notice of appeal. On June 8, 2015, the appellate court affirmed the district court. On July 2, 2015, relator filed a petition for rehearing, which was denied on August 4, 2015.

Because of the many questions of fact and law that may arise on appeal, the outcome of this legal proceeding is uncertain at this point. Based on information available to us at present, we cannot reasonably estimate a range of potential loss, if any, for this action because the complaint does not seek a specified amount of damages and it is unclear how damages would be calculated, if we were to be found liable. Accordingly, we have not recognized any liability associated with this action.

United States of America, ex rel. Ann Marie Rega v. Career Education Corporation, et al. On May 16, 2014, Relator Ann Marie Rega, a former employee of Sanford-Brown Iselin, filed an action in the U.S. District Court for the District of New Jersey against the Company and almost all of the Company's individual schools on behalf of herself and the federal government. She alleges claims under the False Claims Act, including allegedly providing false certifications to the federal government regarding compliance with certain provisions of the Higher Education Act and accreditation standards. Relator claims that defendants' conduct caused the government to pay federal funds to defendants, and to make payments to third-party lenders, which the government would not have made if not for defendants' alleged violation of the law. Relator seeks treble damages plus civil penalties and attorneys' fees. Relator failed to comply with the statutory requirement that all False Claims Act cases be filed under seal. On June 16, 2014, defendants filed a motion to dismiss the complaint with prejudice as to relator for failure to file her complaint under seal in accordance with the requirements of the False Claims Act. The motion is fully briefed and the parties are awaiting a ruling from the Court.

Because the matter is in its early stages and because of the many questions of fact and law that may arise, the outcome of this legal proceeding is uncertain at this point. Based on information available to us at present, we cannot reasonably estimate a range of potential loss, if any, for this action because the complaint does not seek a specified amount of damages and it is unclear how damages would be calculated, if we were to be found liable. Moreover, the case presents novel legal issues. Accordingly, we have not recognized any liability associated with this action.

Employment Litigation

Wilson, et al. v. Career Education Corporation. On August 11, 2011, Riley Wilson, a former admissions representative based in Minnesota, filed a complaint in the U.S. District Court for the Northern District of Illinois. The two-count complaint asserts claims of breach of contract and unjust enrichment arising from our decision to terminate our Admissions Representative Supplemental Compensation ("ARSC") Plan. In addition to his individual claims, Wilson also seeks to represent a nationwide class of similarly situated admissions representatives who also were affected by termination of the plan. On October 6, 2011, we filed a motion to dismiss the complaint. On April 13, 2012, the Court granted our motion to dismiss in its entirety and dismissed plaintiff's complaint for failure to state a claim. The Court dismissed this action with prejudice on May 14, 2012. On June 11, 2012, plaintiff filed a notice of appeal with the U.S. Court of Appeals for the Seventh Circuit appealing the final judgment of the trial court. Briefing was completed on October 30, 2012, and oral argument was held on December 3, 2012. On August 30, 2013, the Seventh Circuit affirmed the district court's ruling on plaintiff's unjust enrichment claim but reversed and remanded for further proceedings on plaintiff's breach of contract claim. On September 13, 2013, we filed a petition for rehearing to seek review of the panel's decision on the breach of contract claim and for certification of question to the Illinois Supreme Court, but the petition was denied.

The case now is on remand to the district court for further proceedings on the sole question of whether CEC's termination of the ARSC Plan violated the implied covenant of good faith and fair dealing. The parties have completed fact discovery as to the issue of liability. On March 24, 2015, we filed a motion for summary judgment. The motion is fully briefed and the parties are awaiting a ruling from the Court.

Because of the many questions of fact and law that may arise, the outcome of this legal proceeding is uncertain at this point. Based on information available to us at present, we cannot reasonably estimate a range of potential loss, if any, for this action. Accordingly, we have not recognized any liability associated with this action.

Other Litigation

In addition to the legal proceedings and other matters described above, we are also subject to a variety of other claims, lawsuits and investigations that arise from time to time out of the conduct of our business, including, but not limited to, claims involving prospective students, students or graduates, alleged violations of the Telephone Consumer Protection Act, both individually and on behalf of a putative class, and routine employment matters. While we currently believe that such claims, individually or in aggregate, will not have a material adverse impact on our financial position, cash flows or results of operations, these other matters are subject to inherent uncertainties, and management's view of these matters may change in the future. Were an unfavorable final outcome to occur in any one or more of these matters, there exists the possibility of a material adverse impact on our business, reputation, financial position, cash flows, and the results of operations for the period in which the effect becomes probable and reasonably estimable.

State Investigations

The Attorney General of Connecticut is serving as the point of contact for inquiries received from the attorneys general of the following: Arkansas, Arizona, Connecticut, Idaho, Iowa, Kentucky, Missouri, Nebraska, North Carolina, Oregon, Pennsylvania, Washington (January 24, 2014); Illinois (December 9, 2011); Tennessee (February 7, 2014); Hawaii (May 28, 2014); New Mexico (May 2014); Maryland (March 16, 2015); and the District of Columbia (June 3, 2015) (these 18 attorneys general are collectively referred to as the "Multi-State AGs"). In addition, the Company has received inquiries from the attorneys general of Florida (November 5, 2010), Massachusetts (September 27, 2012), Colorado (August 27, 2013) and Minnesota (September 18, 2014). The inquiries are civil investigative demands or subpoenas which relate to the investigation by the attorneys general of whether the Company and its schools have complied with certain state consumer protection laws, and generally focus on the Company's practices relating to the recruitment of students, graduate placement statistics, graduate certification and licensing results and student lending activities, among other matters. Depending on the state, the documents and information sought by the attorneys general in connection with their investigations cover time periods as early as 2006 to the present. The Company intends to cooperate with the states involved with a view towards resolving these inquiries as promptly as possible. In this regard, over the past several months the Company has participated in several meetings with representatives of the Multi-State AGs about the Company's business and to engage in a dialogue towards a resolution of these inquiries.

We cannot predict the scope, duration or outcome of these attorney general investigations. At the conclusion of any of these matters, the Company or certain of its schools may be subject to claims of failure to comply with state laws or regulations and may be required to pay significant financial penalties and/or curtail or modify their operations. Other state attorneys general may also initiate inquiries into the Company or its schools. If any of the foregoing occurs, our business, reputation, financial position, cash flows and results of operations could be materially adversely affected. Based on information available to us at present, we cannot reasonably estimate a range of potential monetary or non-monetary impact these investigations might have on the Company because it is uncertain what remedies, if any, these regulators might ultimately seek in connection with these investigations.

In addition to the aforementioned inquiries, from time to time, we receive informal requests from state Attorneys General and other government agencies relating to specific complaints they have received from students or former students which seek information about the student, our programs, and other matters relating to our activities in the relevant state. These requests can be broad and time consuming to respond to, and there is a risk that they could expand and/or lead to a formal inquiry or investigation into our practices in a particular state.

Federal Trade Commission Inquiry

On August 20, 2015, the Company received a request for information pursuant to a Civil Investigative Demand from the U.S. Federal Trade Commission ("FTC"). The request was made pursuant to a November 2013 resolution by the FTC directing an investigation to determine whether unnamed persons, partnerships, corporations, or others have engaged or are engaging in deceptive or unfair acts or practices in or affecting commerce in the advertising, marketing or sale of secondary or postsecondary educational products or services, or educational accreditation products or services. The information request requires the Company to provide documents and information regarding a broad spectrum of the business and practices of its subsidiaries and institutions for the time period of January 1, 2010 to the present. The Company intends to cooperate with the FTC with a view towards resolving these inquiries as promptly as possible.

Because the FTC inquiry is in the early stages and because of the many questions of fact and law that may arise, we cannot predict the outcome of the inquiry. Based on information available to us at present, we cannot reasonably estimate a range of potential monetary or non-monetary impact this inquiry might have on the Company because it is uncertain what remedies, if any, the FTC might ultimately seek in connection with this inquiry.

Regulatory Matters

ED Inquiry and HCM1 Status

In December 2011, the U.S. Department of Education ("ED") advised the Company that it is conducting an inquiry concerning possible violations of ED misrepresentation regulations related to placement rates reported by certain of the Company's institutions to accrediting bodies, students and potential students. This inquiry stems from the Company's self-reporting to ED of its internal investigation into student placement determination practices at the Company's previous Health Education segment campuses and review of placement determination practices at all of the Company's other domestic campuses in 2011. The Company has been cooperating with ED in connection with this inquiry. If ED determines that the Company or any of its institutions violated ED misrepresentation regulations with regard to the publication or reporting of placement rates or other disclosures to students or prospective students or finds any other basis in the materials we are providing, ED may revoke, limit, suspend, delay or deny the institution's or all of the Company's institutions Title IV eligibility, or impose fines. In addition, all of the Company's institutions are currently in the process of seeking recertification from ED to participate in Title IV Programs. We cannot predict whether, or to what extent, ED's inquiry might impact this recertification process.

In December 2011, ED also moved all of the Company's institutions from the "advance" method of payment of Title IV Program funds to cash monitoring status (referred to as Heightened Cash Monitoring 1, or HCM1, status). Although the Company's prior practices substantially conformed to the requirements of this more restrictive method of drawing down students' Title IV Program funds, if ED finds violations of the HEA or related regulations, ED may impose monetary or program level sanctions, impose some period of delay in the Company's receipt of Title IV funds or transfer the Company's schools to the "reimbursement" or Heightened Cash Monitoring 2 ("HCM2") methods of payment of Title IV Program funds. While on HCM2 status, an institution must disburse its own funds to students, document the students' eligibility for Title IV Program funds and comply with certain waiting period requirements before receiving such funds from ED, which results in a significant delay in receiving those funds. The process of re-establishing a regular schedule of cash receipts for the Title IV Program funds if ED places our schools on "reimbursement" or HCM2 payment status could take several months, and would require us to fund ongoing operations substantially out of existing cash balances. If our existing cash balances are insufficient to sustain us through this transition period, we would need to pursue other sources of liquidity, which may not be available or may be costly.

OIG Audit

Our schools and universities are also subject to periodic audits by various regulatory bodies, including the U.S. Department of Education's Office of Inspector General ("OIG"). The OIG audit services division commenced a compliance audit of CTU in June 2010, covering the period July 5, 2009 to May 16, 2010, to determine whether CTU had policies and procedures to ensure that CTU administered Title IV Program and other federal program funds in accordance with applicable federal law and regulation. On January 13, 2012, the OIG issued a draft report identifying three findings, including one regarding the documentation of attendance of students enrolled in online programs and one regarding the calculation of returns of Title IV Program funds arising from student withdrawals without official notice to the institution. CTU submitted a written response to the OIG, contesting these findings, on

March 2, 2012. CTU disagreed with the OIG's proposed determination of what constitutes appropriate documentation or verification of online academic activity during the time period covered by the audit. CTU's response asserted that this finding was based on the retroactive application of standards adopted as part of the program integrity regulations that first went into effect on July 1, 2011. The OIG final report, along with CTU's response to the draft report, was forwarded to ED's Office of Federal Student Aid on September 21, 2012. On October 24, 2012, CTU provided a further response challenging the findings of the report directly to ED's Office of Federal Student Aid. As a result of ED's review of these materials, on January 31, 2013, CTU received a request from ED that it perform two file reviews to determine potential liability on two discrete issues associated with one of the above findings. The first file review relates to any potential aid awarded to students who engaged in virtual classroom attendance activities prior to the official start date of a course and for which no further attendance was registered during the official class term. The second file review relates to students that were awarded and paid Pell funds for enrollment in two concurrent courses, while only registering attendance in one of the two courses. The Company completed these file reviews and provided supporting documentation to ED on April 10, 2013. As of September 30, 2015, the Company has a $0.8 million reserve recorded related to this matter.

11. INCOME TAXES

The determination of the annual effective tax is based upon a number of significant estimates and judgments, including the estimated annual pretax income in each tax jurisdiction in which we operate and the ongoing development of tax planning strategies during the year. In addition, our provision for income taxes can be impacted by changes in tax rates or laws, the finalization of tax audits and reviews, as well as other factors that cannot be predicted with certainty. As such, there can be significant volatility in interim tax provisions.

The following is a summary of our provision for (benefit from) income taxes and effective tax rate from continuing operations:

	For the Quarter Ended September 30,		For the Year to Date Ended September 30,	
	2015	2014	2015	2014
Pretax loss	$ (11,485)	$ (31,651)	$ (46,693)	$ (64,757)
Provision for (benefit from) income taxes	$ 35	$ 1,116	$ (923)	$ 3,190
Effective rate	0.3%	3.5%	-2.0%	4.9%

As of December 31, 2014, we reported a total deferred tax valuation allowance of $150.4 million within our consolidated balance sheet. After considering both positive and negative evidence related to the likelihood of realization of the deferred tax assets, we have determined that it is necessary to continue to record this valuation allowance against our net deferred tax assets as of September 30, 2015. We recorded an effective tax provision for the quarter ended September 30, 2015 of less than $0.1 million and an effective tax benefit of $0.9 million for the year to date ended September 30, 2015.

The change in the federal and state valuation allowances impacted the effective tax rate benefit by 39.9% for the current year to date. The current quarter tax rate was also impacted by nominal uncertain tax position activity, the net effect of which resulted in a 0.3% effective tax rate.

We estimate that it is reasonably possible that the gross liability for unrecognized tax benefits for a variety of uncertain tax positions will decrease by up to $1.8 million in the next twelve months as a result of the completion of various state tax audits currently in process and the expiration of the statute of limitations in several jurisdictions. The income tax rate for the quarter ended September 30, 2015 does not take into account the possible reduction of the liability for unrecognized tax benefits. The impact of a reduction to the liability will be treated as a discrete item in the period the reduction occurs. We recognize interest and penalties related to unrecognized tax benefits in tax expense. As of September 30, 2015, we had accrued $2.6 million as an estimate for reasonably possible interest and accrued penalties.

Our tax returns are routinely examined by federal, state, local and foreign tax authorities and these audits are at various stages of completion at any given time. The Internal Revenue Service completed its examination of our U.S. income tax returns through our tax year ended December 31, 2012.

12. SHARE-BASED COMPENSATION

Overview of Share-Based Compensation Plans

The Career Education Corporation 2008 Incentive Compensation Plan (the “2008 Plan”) authorizes awards of stock options, stock appreciation rights, restricted stock, restricted stock units, deferred stock, performance units, annual incentive awards, and substitute awards, which generally may be settled in cash or shares of our common stock. Any shares of our common stock that are subject to awards of stock options or stock appreciation rights payable in shares will be counted as 1.0 share for each share issued for purposes of the aggregate share limit and any shares of our common stock that are subject to any other form of award payable in shares will be counted as 1.67 shares for each share issued for purposes of the aggregate share limit. As of September 30, 2015, there were approximately 6.3 million shares of common stock available for future share-based awards under the 2008 Plan, which is net of 3.0 million shares issuable upon exercise of outstanding options. This amount does not reflect 0.7 million and 0.1 million shares underlying restricted stock units and deferred stock units, respectively, as of September 30, 2015, which will be settled in shares of our common stock if the vesting conditions are met and thus reduce the common stock available for future share-based awards under the 2008 Plan by the amount vested, multiplied by the applicable factor under the plan. The vesting of all types of equity awards (stock options, stock appreciation rights, restricted stock awards, restricted stock units and deferred stock units) is subject to possible acceleration in certain circumstances. Generally, if a plan participant terminates employment for any reason other than by death or disability during the vesting period, the right to unvested equity awards is forfeited.

As of September 30, 2015, we estimate that compensation expense of approximately $4.0 million will be recognized over the next four years for all unvested share-based awards that have been granted to participants, including stock options, shares of restricted stock and restricted stock units and deferred stock units to be settled in shares of stock but excluding restricted stock units to be settled in cash.

Stock Options. The exercise price of stock options and stock appreciation rights granted under each of the plans is equal to the fair market value of our common stock on the date of grant. Employee stock options generally become exercisable 25% per year over a four-year service period beginning on the date of grant and expire ten years from the date of grant. Non-employee directors' stock options expire ten years from the date of grant and generally become exercisable as follows: 100% after first anniversary of grant date or one-fourth on the grant date and one-fourth for each of the first through third anniversary of the grant date. Grants of stock options are generally only subject to the service conditions discussed previously.

Stock option activity during the year to date ended September 30, 2015 under all of our plans was as follows (options in thousands):

	Options	Weighted Average Exercise Price
Outstanding as of December 31, 2014	3,782	$ 12.88
Granted	792	4.88
Exercised	(232)	2.72
Forfeited	(999)	4.32
Cancelled	(339)	19.32
Outstanding as of September 30, 2015	3,004	$ 13.68
Exercisable as of September 30, 2015	1,941	$ 18.48

Restricted Stock and Restricted Stock Units to be Settled in Stock. Restricted stock and restricted stock units to be settled in shares of stock generally become fully vested as follows: 25% per year over a four-year service period or one-third for each of the first through third anniversary of the grant date. Certain awards granted in 2015 to our former Interim Chief Executive Officer vest after one-year and are "performance-based" awards which are subject to performance conditions that, even if the requisite service period is met, may reduce the number of shares or units of restricted stock that vest at the end of the requisite service period or result in all shares or units being forfeited. Also, certain awards granted in the second quarter of 2015 for retention purposes are subject to accelerated vesting and cash settlement in the event of an involuntary not-for-cause termination of employment by the Company.

The following table summarizes information with respect to all outstanding restricted stock and restricted stock units to be settled in shares of stock under our plans during the year to date ended September 30, 2015 (shares and units in thousands):

	Restricted Stock to be Settled in Shares of Stock				
	Shares	Weighted Average Grant-Date Fair Value Per Share	Units	Weighted Average Grant-Date Fair Value Per Unit	Total
Outstanding as of December 31, 2014	43	$ 21.63	556	$ 7.35	599
Granted	—	—	629	5.66	629
Vested	(39)	21.80	(183)	8.37	(222)
Forfeited	(3)	21.80	(333)	6.22	(336)
Outstanding as of September 30, 2015	1	$ 7.21	669	$ 6.05	670

Deferred Stock Units to be Settled in Stock. During 2014 and for the first time since inception of any of our plans, we granted deferred stock units to our non-employee directors. The deferred stock units are to be settled in shares of stock and generally vest one-third per year over a three-year service period beginning on the date of grant. Settlement of the deferred stock units and delivery of the underlying shares of stock to the plan participants does not occur until he or she ceases to provide services to the Company in the capacity of a director, employee or consultant.

The following table summarizes information with respect to all deferred stock units during the year to date ended September 30, 2015 (units in thousands):

	Deferred Stock Units to be Settled in Shares	Weighted Average Grant-Date Fair Value Per Unit
Outstanding as of December 31, 2014	117	$ 4.39
Granted	3	5.73
Vested (1)	(15)	4.39
Forfeited	—	—
Outstanding as of September 30, 2015	105	$ 4.43

(1) The total vested awards exclude 0.3 thousand of vested but unreleased awards. These awards are included in total outstanding awards until they are released under the terms of the agreement.

Restricted Stock Units to be Settled in Cash. Restricted stock units to be settled in cash generally become fully vested 25% per year over a four-year service period beginning on the date of grant. Certain awards granted to our newly hired Chief Executive Officer outside of the 2008 Plan vest 50% per year over a two-year service period. Cash-settled restricted stock units are recorded as liabilities as the expense is recognized and the fair value for these awards is determined at each period end date with changes in fair value recorded in our statement of loss and comprehensive loss in the current period. Cash-settled restricted stock units are settled with a cash payment for each unit vested equal to the closing price on the vesting date. Cash-settled restricted stock units are not included in common shares reserved for issuance or available for issuance under the 2008 Plan.

The following table summarizes information with respect to all cash-settled restricted stock units during the year to date ended September 30, 2015 (units in thousands):

	Restricted Stock Units to be Settled in Cash
Outstanding as of December 31, 2014	1,842
Granted	1,020
Vested	(444)
Forfeited	(551)
Outstanding as of September 30, 2015	1,867

Upon vesting, based on the conditions set forth in the award agreements, these units will be settled in cash. We valued these units in accordance with the guidance set forth by FASB ASC Topic 718 – *Compensation-Stock Compensation* and recognized $1.0 million of expense for the year to date 2015 for all cash-settled restricted stock units, of which $0.5 million was recorded during the quarter ended September 30, 2015.

Stock-Based Compensation Expense. Total stock-based compensation expense for the quarters and years to date ended September 30, 2015 and 2014 for all types of awards was as follows (dollars in thousands):

Award Type	For the Quarter Ended September 30, 2015 (1)	For the Quarter Ended September 30, 2014	For the Year to Date Ended September 30, 2015	For the Year to Date Ended September 30, 2014
Stock Options	$ 289	$ 263	$ 683	$ 1,055
Restricted stock or units settled in stock	687	677	2,214	2,225
Restricted stock units settled in cash	463	763	1,007	3,108
Stock appreciation rights settled in cash	—	51	—	105
Total stock-based compensation expense	$ 1,439	$ 1,754	$ 3,904	$ 6,493

(1) Stock-based compensation expense for the year to date 2015 does not reflect $1.5 million of forfeitures related to our former Chief Executive Officer's departure which was applied against the separation agreement payment of $2.5 million.

Performance Unit Awards. Performance unit awards granted during 2013, 2014 and 2015 are long-term incentive, cash-based awards. Payment of these awards is based upon a calculation of Total Shareholder Return ("TSR") of CEC as compared to TSR across a specified peer group of our competitors over a three-year performance period ending primarily on December 31, 2015, 2016 and 2017, respectively. These awards are recorded as liabilities as the expense is recognized and fair value for these awards is revalued at each period end date with changes in fair value recorded in our statement of loss and comprehensive loss in the current period. We recorded $0.7 million of expense related to these awards for the year to date ended September 30, 2015, of which $1.0 million was recorded as expense during the third quarter ended September 30, 2015, offset against a previously recognized credit of $0.3 million for the six months ended June 30, 2015.

13. WEIGHTED AVERAGE COMMON SHARES

Basic net (loss) income per share is calculated by dividing net (loss) income by the weighted average number of common shares outstanding for the period. Diluted earnings per share is computed by dividing net (loss) income by the weighted average number of shares assuming dilution. Dilutive common shares outstanding is computed using the Treasury Stock Method and reflects the additional shares that would be outstanding if dilutive stock options were exercised and restricted stock and restricted stock units were settled for common shares during the period.

Due to the fact that we reported a loss from continuing operations for the quarters and years to date ended September 30, 2015 and 2014, potential common stock equivalents are excluded from the diluted common shares outstanding calculation. Per FASB ASC Topic 260 – *Earnings Per Share*, an entity that reports discontinued operations shall use income or loss from continuing operations as the benchmark for calculating diluted common shares outstanding, and as such, we have zero common stock equivalents since these shares would have an anti-dilutive effect on our net loss per share for the quarters and years to date ended September 30, 2015 and 2014.

14. SEGMENT REPORTING

Our segments are determined in accordance with FASB ASC Topic 280—*Segment Reporting* and are based upon how the Company analyzes performance and makes decisions. Each segment represents a group of postsecondary education providers that offer a variety of degree and non-degree academic programs. These segments are organized by key market segments to enhance brand focus and operational alignment within each segment to more effectively execute our strategic plan. As of September 30, 2015, our three segments are:

University Group:

Colorado Technical University (CTU) places a strong focus on providing industry-relevant degree programs to meet the needs of our students for employment and of employers for a well-educated workforce and collectively offers academic programs in the career-oriented disciplines of business studies, information systems and technologies, criminal justice, computer science and engineering, and health sciences. Students pursue their degrees through fully-online programs through CTU Online, local campuses and blended formats, which combine campus-based and online education. As of September 30, 2015, students enrolled at CTU represented approximately 56% of our total enrollments. Approximately 91% of CTU's enrollments are fully online.

American InterContinental University (AIU) focuses on helping busy professionals get the degree they need to move forward in their career as efficiently as possible and collectively offers academic programs in the career-oriented disciplines of business studies, information technologies, criminal justice and design technologies. Students pursue their degrees through fully-online programs through AIU Online, local campuses and blended formats, which combine campus-based and online education. As of September 30, 2015, students enrolled at AIU represented approximately 30% of our total enrollments. Approximately 92% of AIU's enrollments are fully online.

Transitional Group includes our campuses which are currently being taught out. These campuses employ a gradual teach-out process, enabling them to continue to operate while current students complete their course of study; they no longer enroll new students. In addition, the Transitional Group includes campuses which have completed their teach-out activities or have been sold subsequent to January 1, 2015. As a result of a change in accounting guidance, these campuses remain within continuing operations. The campuses within the Transitional Group that have not yet ceased operations as of September 30, 2015 will complete their teach-outs on varying dates through 2018.

Summary financial information by reporting segment is as follows (dollars in thousands):

	For the Quarter Ended September 30,					
	Revenue				Operating (Loss) Income	
	2015	% of Total	2014	% of Total	2015	2014
CTU	$ 85,433	52.7%	$ 82,410	45.1%	$ 18,616	$ 10,698
AIU	50,688	31.3%	51,889	28.4%	1,695	(4,194)
Total University Group	136,121	84.0%	134,299	73.5%	20,311	6,504
Corporate and Other	39	0.0%	52	0.0%	(8,040)	2,528
Transitional Group	25,914	16.0%	48,474	26.5%	(23,065)	(40,764)
Total	$ 162,074	100.0%	$ 182,825	100.0%	$ (10,794)	$ (31,732)

	For the Year to Date Ended September 30,					
	Revenue				Operating (Loss) Income	
	2015	% of Total	2014	% of Total	2015	2014
CTU	$ 256,734	49.5%	$ 254,371	44.9%	$ 57,495	$ 46,136
AIU	155,778	30.0%	154,147	27.2%	3,982	(9,108)
Total University Group	412,512	79.5%	408,518	72.0%	61,477	37,028
Corporate and Other	117	0.0%	190	0.0%	(20,936)	(14,121)
Transitional Group	106,527	20.5%	158,443	27.9%	(85,268)	(87,839)
Total	$ 519,156	100.0%	$ 567,151	100.0%	$ (44,727)	$ (64,932)

	Total Assets as of (1)	
	September 30, 2015	December 31, 2014
CTU	$ 76,839	$ 73,458
AIU	53,943	51,755
Total University Group	130,782	125,213
Corporate and Other	270,158	332,672
Transitional Group	17,578	37,355
Subtotal	418,518	495,240
Assets held for sale	29,239	76,846
Discontinued Operations	1,127	1,448
Total	$ 448,884	$ 573,534

(1) Total assets do not include intercompany receivable or payable activity between schools and corporate and investments in subsidiaries.

15. SUBSEQUENT EVENT

On October 2, 2015, Louis E. Caldera, a member of the Board of Directors (the "Board") of the Company, resigned from the Board to pursue other interests. On October 13, 2015, we announced the departures of Jason Friesen, Senior Vice President and Chief University Education Officer, and Lysa Clemens, Senior Vice President, Transitional Operations and Chief Transformation Officer, from the Company.

ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

The discussion below contains "forward-looking statements," as defined in Section 21E of the Securities Exchange Act of 1934, as amended, that reflect our current expectations regarding our future growth, results of operations, cash flows, performance and business prospects, and opportunities, as well as assumptions made by, and information currently available to, our management. We have tried to identify forward-looking statements by using words such as "expect," "anticipate," "believe," "position us," "will," "plan," "continue to," and similar expressions, but these words are not the exclusive means of identifying forward-looking statements. These statements are based on information currently available to us and are subject to various risks, uncertainties, and other factors that could cause our actual growth, results of operations, cash flows, performance, business prospects and opportunities to differ materially from those expressed in, or implied by, these statements. Except as expressly required by the federal securities laws, we undertake no obligation to update such factors or to publicly announce the results of any of the forward-looking statements contained herein to reflect future events, developments, or changed circumstances, or for any other reason. Among the factors that could cause actual results to differ materially from those expressed in, or implied by, our forward-looking statements are the following:

- *declines in enrollment;*
- *the success of our initiatives to divest our LCB culinary arts campuses and remaining Career College institutions, which could be impacted by the level of buyer interest and related valuations, required regulatory approvals, and the various factors noted in this paragraph, among other things;*
- *negative trends in the real estate market which could impact the costs related to teaching out campuses and the success of our initiatives to reduce our real estate obligations;*
- *our ability to achieve anticipated cost savings and business efficiencies;*
- *rulemaking by the U.S. Department of Education or any state and increased focus by Congress, the President and governmental agencies on for-profit education institutions;*
- *our continued compliance with and eligibility to participate in Title IV Programs under the Higher Education Act of 1965, as amended, and the regulations thereunder (including the gainful employment and financial responsibility standards prescribed by the U.S. Department of Education), as well as national and regional accreditation standards and state regulatory requirements;*
- *the impact of management changes;*
- *our ability to successfully defend litigation and other claims brought against us; and*
- *changes in the overall U.S. or global economy.*

Readers are also directed to the Company's Annual Report on Form 10-K for the fiscal year ended December 31, 2014 and its subsequent filings with the Securities and Exchange Commission for information about other risks and uncertainties, including, but not limited to, those matters discussed in Item 1A, "Risk Factors," in our Form 10-K.

Overview

Career Education's academic institutions offer a quality education to a diverse student population in a variety of disciplines through online, on-ground and hybrid learning programs. Our two universities – American InterContinental University ("AIU") and Colorado Technical University ("CTU") – provide degree programs through the master's or doctoral level as well as associate and bachelor's levels. Both universities predominantly serve students online with career-focused degree programs that are designed to meet the educational demands of today's busy adults. AIU and CTU continue to show innovation in higher education, advancing new personalized learning technologies like their intelli**path** ™ adaptive learning platform that allow students to more efficiently pursue earning a degree by receiving course credit for knowledge they can already demonstrate. Career Education is committed to providing quality education that closes the gap between learners who seek to advance their careers and employers needing a qualified workforce.

On May 1, 2015, the Board of Directors of the Company approved the teach out of the Company's remaining 15 Sanford-Brown campuses and the pursuit of divestiture options for the Company's three additional Career Colleges campuses: Briarcliffe College, Brooks Institute and Missouri College.

We organize our business across three reporting segments: CTU, AIU (comprises University Group); and Transitional Group. Campuses included in our Transitional Group segment are those (i) currently being taught out and therefore no longer enrolling new students, (ii) campuses that completed their teach-out subsequent to January 1, 2015 or (iii) that have either been sold or are held for sale and which decisions were made subsequent to January 1, 2015. Those campuses in teach-out employ a gradual teach-out process, enabling them to continue to operate while current students complete their course of study. All prior periods have been recast to reflect our segments on a comparable basis and our results of operations for these campuses are recorded within continuing operations as part of the Transitional Group segment for all periods presented.

Effective January 1, 2015, ASC Topic 360 – Property, Plant and Equipment, limits discontinued operations reporting and thus as campuses cease teach-out operations going forward, the results of operations for these campuses will remain within the results of continuing operations. Prior to January 1, 2015, campuses met the criteria for discontinued operations upon completion of the teach-out. During the third quarter of 2015, the Company completed the teach-out of one Transitional Group campus, Sanford-Brown Tyson's Corner, which continues to be reported under the Transitional Group as of September 30, 2015.

On September 1, 2015, the Company completed the sale of its Missouri College campus. During the second quarter of 2015, the Company completed the sale of its Brooks Institute campus. The historical results of operations for these campuses continue to be reported within continuing operations as part of the Transitional Group and the loss on sale for these campuses are reported within other (expense) income on our consolidated statements of loss and comprehensive loss.

We operate in a highly regulated industry, which has significant impacts on our business and creates risk and uncertainties. We encourage you to review Item 1, "Business," and Item 1A, "Risk Factors," in our Annual Report on Form 10-K for the year ended December 31, 2014 to learn more.

The following Management's Discussion and Analysis of Financial Condition and Results of Operations ("MD&A") should be read in conjunction with the Company's condensed consolidated financial statements and the notes thereto appearing elsewhere in this Quarterly Report on Form 10-Q. The MD&A is intended to help investors understand the results of operations, financial condition and present business environment. The MD&A is organized as follows:

- 2015 Third Quarter Overview
- Consolidated Results of Operations
- Segment Results of Operations
- Summary of Critical Accounting Policies and Estimates
- Liquidity, Financial Position and Capital Resources

Note Regarding Non-GAAP measures

The Company believes it is useful to present non-GAAP financial measures which exclude certain significant items as a means to understand the performance of its core business. As a general matter, the Company uses non-GAAP financial measures in conjunction with results presented in accordance with GAAP to help analyze the performance of its core business, assist with preparing the annual operating plan, and measure performance for some forms of compensation. In addition, the Company believes that non-GAAP financial information is used by analysts and others in the investment community to analyze the Company's historical results and to provide estimates of future performance and that failure to report non-GAAP measures could result in a misplaced perception that the Company's results have underperformed or exceeded expectations.

We believe adjusted EBITDA allows us to compare our current operating results with corresponding historical periods and with the operational performance of other companies in our industry because it does not give effect to potential differences caused by items we do not consider reflective of underlying operating performance. We also present adjusted EBITDA because we believe it is frequently used by securities analysts, investors and other interested parties as a measure of performance. In evaluating adjusted EBITDA, investors should be aware that in the future we may incur expenses similar to the adjustments presented below. Our presentation of adjusted EBITDA should not be construed as an inference that our future results will be unaffected by expenses that are unusual, non-routine or non-recurring. Adjusted EBITDA has limitations as an analytical tool, and you should not consider it in isolation, or as a substitute for net income (loss), operating income (loss), or any other performance measure derived in accordance with and reported under GAAP or as an alternative to cash flow from operating activities or as a measure of our liquidity.

Non-GAAP financial measures, when viewed in a reconciliation to corresponding GAAP financial measures, provide an additional way of viewing the Company's results of operations and the factors and trends affecting the Company's business. Non-GAAP financial measures should be considered as a supplement to, and not as a substitute for, or superior to, the corresponding financial results presented in accordance with GAAP.

2015 THIRD QUARTER OVERVIEW

During the third quarter of 2015, we continued to see the early success of our transformation initiatives implemented during the current year. The key components of our transformation plan include: teach-out or divest the Transitional Group campuses and LCB, right-size our Corporate function to better align with our University Group structure and drive efficiencies within our University Group operations. The postsecondary education industry is undergoing a paradigm shift in the way it serves its students and we believe that our core University Group's strong brands and quality programs position us well to succeed. With more than 90% of our University Group students fully online, our transformation initiatives provide us with a stronger foundation and competitive position to build from.

Revenue from continuing operations declined $20.8 million or 11.4% due to an overall 14.1% decrease in total student enrollments, primarily as a result of our decision to divest or teach out our Career College businesses. Excluding our Transitional Group, revenue increased $1.8 million or 1.3% for the current year quarter as compared to the prior year quarter. For the current quarter, we reported an operating loss from continuing operations of $10.8 million as compared to an operating loss of $31.7 million for the prior year quarter. This improvement in operating loss was primarily due to elimination of costs within our Transitional Group and cost containment initiatives within our University Group and Corporate, partially offset with increased expenses related to restructuring charges. Lastly, we reported positive cash flow from operations of $5.6 million for the current year quarter. This positive cash flow from operations represents the first positive cash flow from operations in a third quarter since 2012. We expect our future operating cash flow to remain subject to typical seasonal trends.

For our University Group, revenue increased $1.8 million or 1.4% as compared to the prior year quarter, driven by increased total enrollment at CTU. Excluding the impact to revenue related to the change in accounting for withdrawn students, revenue increased 3.0% for the current year quarter as compared to the prior year quarter. While advertising expense decreased within the current year quarter as compared to the prior year quarter, the continued optimization of marketing spend contributed to the increase in revenue. New student enrollments for the University Group decreased 3.5% in the third quarter as compared to the prior year quarter. CTU's relatively flat new student enrollment was more than offset with the decline in new student enrollments within AIU. The prior year quarter was impacted by a re-introduction of AIU's television marketing campaign; this re-introduction represented the first time in several years that AIU utilized television marketing. Operating income for the University Group improved by 212.3% to $20.3 million due to increased revenue and continued cost containment execution.

The strength of our University offerings is evidenced by the growing number of corporations with whom we have developed partnerships that provide us opportunities to fill their unmet employment needs. As of the third quarter of 2015, we have more than 300 strategic relationships which provide us access to over five million potential students. Both AIU and CTU continue to work diligently with corporate partners about ways they can routinely engage and articulate the value of our educational services to their key employees. We continue to re-invest the cost savings achieved through our restructuring activities to improve student outcomes through enhanced technology and during October, we introduced a new mobile application at CTU; we plan to scale this achievement for AIU.

As part of our quarterly impairment analysis, we completed an analysis of all indefinite-lived intangible assets to determine if a trigger was present which would necessitate the need to test for impairment. As a result of our assessment, we completed a fair value calculation for our AIU reporting unit due to identifying a triggering event associated with decreased projections compared to previously forecasted amounts. The result of the fair value calculation yielded no impairment. The fair value as a percent of carrying value of the AIU reporting unit was approximately 113%. As a result of the small gap between fair value and carrying value for this reporting unit, we will continue to closely monitor future projections to determine if further impairment analyses are warranted.

During October, we made several key leadership changes, including the addition of John Kline as Senior Vice President--AIU. Mr. Kline brings with him strong depth in terms of historical experience in the online education arena, including nearly 20 years of leadership experience with a strong track record of driving performance improvements within the organizations he has served. Additionally, Andrew Hurst, along with his role as President of CTU, was named Senior Vice President--CTU in recognition of the strong performance of CTU and Mr. Hurst's extensive background in the industry. We are in the midst of interviewing potential candidates for the Chief Financial Officer position and expect to have the position filled by the end of the year.

The decision made in the prior quarter to teach-out or sell the remainder of our Career Colleges has put Career Education in a better position where we believe there is the greatest demand for high-quality education. Through the divestitures and teach-outs, we will be able to better prioritize our resources and focus on the growth of our online University institutions. Further, our offerings at both CTU and AIU are better aligned with the regulatory framework that will govern the long-term potential of this industry as we prioritize student outcomes, student retention and experiences. We continued to make progress with the teach-out of our Transitional campuses during the current year quarter and we have ceased operations at one additional campus during the current quarter. We expect the gradual discontinuation of operations at a majority of the remaining campuses to be complete by 2017 with any remaining teach-outs expected to be complete during 2018. While a campus is completing the teach-out process, we will focus on providing our students with a quality education and career placement services so that they have a reasonable opportunity to complete their education and to help them secure employment. Lastly, we completed the sale of Missouri College during the current quarter, resulting in a loss on sale of approximately $0.9 million recorded during the current quarter.

With respect to our LCB assets which are held for sale, we have entered into exclusive discussions with one buyer and we expect to enter into a definitive agreement by the end of the year and, pending regulatory approval, close the transaction in early 2016. Driven by the letter of intent received, we recorded a $33.4 million impairment during the current year quarter in connection with our fair value analysis of the LCB campuses held for sale.

At this point in time we continue to expect to end 2015 with approximately $190 million in total cash, cash equivalents, restricted cash and short-term and long-term investments, excluding the timing impact of outstanding checks, deposits and other transfers. The impacts of any LCB transaction on our balance sheet will occur during fiscal year 2016 and we currently expect to provide a payment to the buyer of LCB. We now expect to end 2016 with total cash, cash equivalents, restricted cash and short-term and long-term investments, excluding the timing impact of outstanding checks, deposits and other transfers, with less than $190 million, primarily driven by the timing of and potential payment for the pending LCB transaction. The projections regarding cash balances could be materially adversely affected by a change impacting the assumptions utilized in projecting this amount.(1)

We believe the use of an adjusted EBITDA measure allows us to compare our current operating results for our operations with corresponding historical periods and with the operational performance of other companies in our industry because it does not give effect to potential differences caused by items we do not consider reflective of underlying operating performance. Adjusted EBITDA for the current quarter as well as the previous four quarters is presented below.

Adjusted EBITDA **($ in thousands)**	**Q3 2015**	**Q2 2015**	**Q1 2015**	**Q4 2014**	**Q3 2014**
University Group and Corporate:					
Pre-tax loss from continuing operations	$ (11,485)	$ (10,218)	$ (24,990)	$ (7,747)	$ (31,651)
Transitional Group pre-tax loss	23,724	32,624	30,470	23,788	40,764
Interest expense (income), net	7	(52)	2	(38)	(120)
Depreciation and amortization (1)	3,454	3,956	4,361	5,170	5,402
Stock-based compensation (1)	983	530	940	966	950
Legal settlements (1) (2)	—	—	—	—	—
Asset impairments (1)	—	—	—	—	73
Unused space charges (1) (3)	(385)	(348)	556	(373)	(368)
Insurance recovery	—	—	—	—	(8,588)
Adjustment related to revenue recognition (1) (5)	348	94	93	1,354	—
Adjusted EBITDA--University Group and Corporate	**$ 16,646**	**$ 26,586**	**$ 11,432**	**$ 23,120**	**$ 6,462**
Memo: Advertising Expenses	**$ 46,194**	**$ 34,258**	**$ 50,587**	**$ 36,731**	**$ 50,410**
Transitional Group and Discontinued Operations:					
Pre-tax loss from discontinued operations	$ (33,715)	$ (11,252)	$ (102)	$ (17,195)	$ (15,201)
Transitional Group pre-tax loss	(23,724)	(32,624)	(30,470)	(23,788)	(40,764)
Loss on sale of business (4)	715	917	—	—	—
Depreciation and amortization (4)	2,508	3,231	2,351	7,319	7,739
Legal settlements (4)	—	(166)	1,485	—	225
Asset impairments (4)	33,446	11,372	6,019	14,203	14,412
Unused space charges (3) (4)	7,174	(2,305)	(2,424)	(2,063)	(3,343)
Adjustment related to revenue recognition (4) (5)	173	13	(67)	1,029	—
Adjusted EBITDA--Transitional and Discontinued Operations	**$ (13,423)**	**$ (30,814)**	**$ (23,208)**	**$ (20,495)**	**$ (36,932)**
Consolidated Adjusted EBITDA	**$ 3,223**	**$ (4,228)**	**$ (11,776)**	**$ 2,625**	**$ (30,470)**

(1) Quarterly amounts relate to the University Group and Corporate
(2) Legal settlement amounts are net of insurance recoveries
(3) Unused space charges include initial charge and subsequent accretion

(4) Quarterly amounts relate to Transitional Group and discontinued operations
(5) Q4 2014 amounts are cumulative for the full year 2014 recorded during the fourth quarter of 2014

Adjusted EBITDA for the University Group and Corporate improved $10.2 million or 157.6% for the third quarter of 2015 as compared to the third quarter last year as we continued to execute against our cost containment initiatives. We continue to expect positive Adjusted EBITDA from our University Group and Corporate for the full year 2015 as improvement in operating margins for our University Group continues throughout 2015, although quarterly operating margins will be impacted by seasonal marketing spend.

Adjusted EBITDA for the Transitional Group and Discontinued Operations was -$13.4 million, an improvement of $23.5 million as compared to -$36.9 million for the third quarter of 2014. This favorability was a result of the completion of teach-out operations at campuses that have now closed and continued focus on exiting and reducing real estate lease obligations once a teach-out is complete. These lease obligations are a large component of our cost structure and cash usage. In addition to real estate leases associated with our ongoing operations, campuses that have completed the teach-out process more often than not have ongoing lease obligations that continue for some time. We expect to see the negative Adjusted EBITDA associated with the Transitional Group and discontinued operations continue to improve as we complete the teach-outs with approximately -$85 million to -$90 million for 2015, approximately -$90 million for 2016, approximately -$70 million for 2017 and approximately -$45 million for 2018.[1]

As an organization, our focus continues to be to Enroll, Educate and Place our students into a better position to succeed professionally and to close the gap between students and employers. We have two quality University institutions, a strong leadership team and the right long-term platform which we believe will lead to our success in the education of our students and in the creation of value for our shareholders in the future.

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(1) The estimates provided above for future Transitional Group and discontinued operations adjusted EBITDA and company-wide cash balances are based on the following key assumptions and factors, among others: (i) flat-to-modest total enrollment growth within the University Group over time, (ii) teach-outs and divestitures to occur as planned and performance consistent with historical experience, (iii) signed purchase agreement for LCB by year end and transaction closed in early 2016, (iv) achievement of rates of recovery for our real estate lease obligations which are consistent with historical experience, (v) right-sizing of our Corporate expense structure to serve primarily online institutions, (vi) no material changes in the legal or regulatory environment, and (vii) consistent working capital movements in line with historical operating trends. All projections for 2016 and beyond assume a completed sale of our LCB campuses. Although these estimates and assumptions are based upon management's good faith beliefs regarding current events and actions that we may undertake in the future, actual results could differ materially from these estimates.

Regulatory Updates

SARA. The National Council for State Authorization Reciprocity Agreements ("NC-SARA") is an agreement among member states, districts and territories that establishes comparable national standards for interstate offering of postsecondary distance education courses and programs. Participation does not replace state authorization but rather centralizes it in an institution's home state. Participation in NC-SARA also allows member institutions to more efficiently offer new programs or enhance current programs to meet student and market needs because they are not required to seek additional approvals for program updates in fellow member states. As of October 23, 2015, 29 states are NC-SARA participants. In August 2015, AIU was approved to operate under NC-SARA, with Illinois as its home state. CTU was approved to operate under NC-SARA earlier this year, with Colorado as its home state.

Cohort Default Rates. In late September 2015, the U.S. Department of Education ("ED") released the official three-year cohort default rates for the 2012 cohort. With one exception, these official rates were generally in line with our expectations. Across our institutions as a whole, our three-year rates for 2012 decreased (*i.e.*, improved) from the three-year rates from the 2011, 2010 and 2009 cohorts, marking our third consecutive year of improvement from the initial 2009 official rates. One institution, LCB Austin, which includes five Culinary Arts campuses which are not in teach-out, had a three-year official rate for 2012 in excess of the applicable 30% standard, which we are appealing. Based on information received from both the initial draft rates and responses received from ED during the challenge process, we believe that the ultimate outcome of the appeal process will be that LCB Austin's 2012 official cohort default rate will end up less than 30%. LCB Austin's 2011 cohort default rates were under 30%; therefore if the 2012 rate remains unchanged following appeal, this would mark the first year that LCB Austin exceeds 30%. Eligibility to participate in Tile IV Programs does not cease until an institution's three-year cohort default rate exceeds 30% for three consecutive years. See Item 1, "Business – Student Financial Aid and Related Federal Regulation – Compliance with Federal Regulatory Standards and

Effect of Federal Regulatory Violations – *Student Loan Default Rates*" in our Annual Report on Form 10-K for the year ended December 31, 2014 for more information about cohort default rates, our prior year rates and ED's related standards.

Recent Program Integrity Regulations. On October 30, 2015, ED published program integrity and improvement final regulations on three items: cash management of Title IV federal student aid funds, which includes the use of stored value cards and issuing Title IV credit balances; clarification on the treatment of previously passed coursework for Title IV eligibility purposes; and simplification of the requirements for programs that must be treated like clock hour programs for the purposes of Title IV aid assessment. These new regulations remove the institutional authority to reserve, with student authorization, any Title IV credit balance for future allowable education related charges in the applicable award year for schools that are placed on Heightened Cash Monitoring. In addition, the regulations require the institution to issue a Title IV credit balance to the student prior to drawdown of funding from ED. As a result, the new regulations may result in an adverse impact on our overall bad debt expense and certain regulatory metrics; however, at this time, we are unable to predict the magnitude of the impact. These regulations will be effective July 1, 2016.

CONSOLIDATED RESULTS OF OPERATIONS

The summary of selected financial data table below should be referenced in connection with a review of the following discussion of our results of operations for the quarters and years to date ended September 30, 2015 and 2014 (dollars in thousands):

	For the Quarter Ended September 30,				For the Year to Date Ended September 30,			
	2015	% of Total Revenue	2014	% of Total Revenue	2015	% of Total Revenue	2014	% of Total Revenue
TOTAL REVENUE	$ 162,074		$ 182,825		$ 519,156		$ 567,151	
OPERATING EXPENSES								
Educational services and facilities (1)	54,201	33.4%	60,790	33.3%	163,101	31.4%	181,429	32.0%
General and administrative (2)								
Advertising	46,790	28.9%	61,053	33.4%	147,535	28.4%	167,284	29.5%
Admissions	20,471	12.6%	26,305	14.4%	68,990	13.3%	81,228	14.3%
Administrative	39,917	24.6%	38,880	21.3%	142,748	27.5%	144,503	25.5%
Bad debt	5,527	3.4%	5,852	3.2%	13,945	2.7%	16,572	2.9%
Total general and administrative expense	112,705	69.5%	132,090	72.2%	373,218	71.9%	409,587	72.2%
Depreciation and amortization	5,962	3.7%	8,739	4.8%	19,860	3.8%	28,052	4.9%
Asset impairment	—	0.0%	12,938	7.1%	7,704	1.5%	13,015	2.3%
OPERATING LOSS	(10,794)	-6.7%	(31,732)	-17.4%	(44,727)	-8.6%	(64,932)	-11.4%
PRETAX LOSS	(11,485)	-7.1%	(31,651)	-17.3%	(46,693)	-9.0%	(64,757)	-11.4%
PROVISION FOR (BENEFIT FROM) INCOME TAXES	35	0.0%	1,116	0.6%	(923)	-0.2%	3,190	0.6%
Effective tax rate	*0.3 %*		*3.5 %*		*-2.0 %*		*4.9 %*	
LOSS FROM CONTINUING OPERATIONS	(11,520)	-7.1%	(32,767)	-17.9%	(45,770)	-8.8%	(67,947)	-12.0%
LOSS FROM DISCONTINUED OPERATIONS, net of tax	(33,715)	-20.8%	(15,201)	-8.3%	(45,069)	-8.7%	(84,728)	-14.9%
NET LOSS	**$(45,235)**	**-27.9 %**	**$(47,968)**	**-26.2 %**	**$(90,839)**	**-17.5 %**	**$(152,675)**	**-26.9 %**

(1) Educational services and facilities expense includes costs directly attributable to the educational activities of our schools, including: salaries and benefits of faculty, academic administrators and student support personnel, and costs of educational supplies and facilities, including rents on school leases, certain costs of establishing and maintaining computer laboratories, costs of student housing and owned and leased facility costs. Also included in educational services and facilities expense are costs of other goods and services provided by our schools, including costs of textbooks, laptop computers, restaurant services and contract training.

(2) General and administrative expense includes salaries and benefits of personnel in corporate and school administration, marketing, admissions, financial aid, accounting, human resources, legal and compliance. Other expenses within this expense category include costs of advertising and production of marketing materials, occupancy of the corporate offices and bad debt expense.

Revenue

Current quarter and current year to date revenue decreased 11.4% and 8.5%, respectively, as compared to the prior periods, driven by the overall decline in total student enrollment. Excluding our Transitional Group campuses, which no longer enroll new students as they teach out the campus, revenue increased approximately 1.3% for the current quarter and 1.0% for the current year to date as compared to the respective prior periods. We experienced increases in revenue within both CTU and AIU for the year to date as compared to the prior year driven by an increase in total student enrollments within CTU and revenue per student within our AIU segment. AIU experienced a slight decline in revenue for the current year quarter as compared to the prior year quarter primarily due to a decline in new and total student enrollments, which more than offset the increase in revenue per student.

Educational Services and Facilities Expense (dollars in thousands)

	For the Quarter Ended September 30,				For the Year to Date Ended September 30,			
	2015	% of Total Revenue	2014	% of Total Revenue	2015	% of Total Revenue	2014	% of Total Revenue
Educational services and facilities:								
Academics & student related	$ 31,244	19.3%	$ 40,755	22.3%	$106,845	20.6%	$ 125,798	22.2%
Occupancy	22,957	14.2%	20,035	11.0%	56,256	10.8%	55,631	9.8%
Total educational services and facilities	$ 54,201	33.4%	$ 60,790	33.3%	$163,101	31.4%	$ 181,429	32.0%

The decrease in educational services and facilities expense as compared to the prior year quarter and year to date is primarily driven by lower academic costs within our Transitional Group, most notably faculty and bookstore costs as a result of decreasing total student enrollments as well as decreased expenses within AIU. This decrease was offset with increases in occupancy expenses within the Transitional Group as we continue to exit space and record a charge upon exit for the future remaining lease obligations, net of any estimated sublease income. The University Group experienced improvement in occupancy and academic costs as a percentage of revenue as we continue to closely monitor the variable costs while maintaining optimal student-teacher ratios.

General and Administrative Expense (dollars in thousands)

	For the Quarter Ended September 30,				For the Year to Date Ended September 30,			
	2015	% of Total Revenue	2014	% of Total Revenue	2015	% of Total Revenue	2014	% of Total Revenue
General and administrative:								
Advertising	$ 46,790	28.9%	$ 61,053	33.4%	$147,535	28.4%	$167,284	29.5%
Admissions	20,471	12.6%	26,305	14.4%	68,990	13.3%	81,228	14.3%
Administrative	39,917	24.6%	38,880	21.3%	142,748	27.5%	144,503	25.5%
Bad Debt	5,527	3.4%	5,852	3.2%	13,945	2.7%	16,572	2.9%
Total general and administrative expense	$112,705	69.5%	$ 132,090	72.2%	$373,218	71.9%	$409,587	72.2%

General and administrative expense has decreased for the current quarter and current year to date as compared to the respective prior year periods, primarily due to decreases within advertising, admissions and bad debt expenses, which were slightly offset with an increase in administrative expense during the current quarter. Administrative expenses increased during the current year quarter by $1.0 million primarily due to restructuring charges and compensation expenses incurred with the hiring of a new CEO. The decreased advertising expense is substantially related to the elimination of advertising on Career Colleges brands as a result of the strategic decision to teach-out Career Colleges as well as decreased expense within our University Group related to efficiencies developed within certain marketing channels. Admissions costs have decreased primarily in salary and related expenses due to headcount reductions made in response to decreasing enrollments as well as the Transitional Group no longer enrolling new students. Bad debt expense decreased as a percentage of revenue for the current year to date as compared to prior period, primarily due to a change in how we recognize revenue for students who have withdrawn prior to completing their course of study. Beginning in the fourth quarter of 2014, we recognize revenue on a cash-basis for these students after withdrawal. In the prior year to date, revenue was recognized immediately upon the withdrawal of a student with a corresponding charge to bad debt expense for the portion deemed uncollectible.

Bad debt expense incurred by each of our segments during the quarters and years to date ended September 30, 2015 and 2014 was as follows (dollars in thousands):

	For the Quarter Ended September 30,				For the Year to Date Ended September 30,			
	2015	% of Segment Revenue	2014	% of Segment Revenue	2015	% of Segment Revenue	2014	% of Segment Revenue
Bad debt expense:								
CTU	$ 3,671	4.3%	$ 3,294	4.0%	$ 8,784	3.4%	$ 9,087	3.6%
AIU	1,620	3.2%	1,700	3.3%	3,662	2.4%	4,784	3.1%
Total University Group	5,291	3.9%	4,994	3.7%	12,446	3.0%	13,871	3.4%
Corporate and Other	(86)	NM	(229)	NM	(171)	NM	(315)	NM
Transitional Group	322	1.2%	1,087	2.2%	1,670	1.6%	3,016	1.9%
Total	**$ 5,527**	**3.4%**	**$ 5,852**	**3.2%**	**$13,945**	**2.7%**	**$16,572**	**2.9%**

Operating Loss

The operating loss reported for the current quarter and current year to date improved by $20.9 million and $20.2 million, respectively, as compared to the prior periods. Decreases in expenses during the current year quarter and year to date more than offset the decline in revenue. Initiatives to align expenses with the new organizational structure, changes in marketing strategies and implementation of efficiencies in our support functions continue to drive improvements in operating margins.

Provision for (Benefit from) Income Taxes

As of December 31, 2014, we reported a total deferred tax valuation allowance of $150.4 million within our consolidated balance sheet. We have determined that it is necessary to continue to record this valuation allowance against our net deferred tax assets as of September 30, 2015. The effective tax provision and benefit for the current quarter and year to date ended September 30, 2015 was less than $0.1 million and $0.9 million, respectively, resulting primarily from adjustments for uncertain tax positions. We will continue to evaluate our valuation allowance in future periods for any change in circumstances that may cause a change in judgment about the realizability of the deferred tax assets.

Loss from Discontinued Operations

The results of operations for campuses that have been taught out or sold prior to 2015, as well as our LCB campuses which are held for sale, are presented within discontinued operations. During the first quarter of 2015, the Company adopted new accounting guidance impacting the presentation of financial statements for discontinued operations, which limits the discontinued operations treatment if the group being sold or disposed of does not meet the definition of a strategic business shift. During the third quarter of 2015, the Company completed the teach-out of the Sanford-Brown Tyson's Corner campus which continues to be reported as part of the Transitional Group within continuing operations as a result of this new guidance.

Asset Held For Sale – Le Cordon Bleu

During the fourth quarter of 2014, our Board of Directors approved a plan to sell our 16 Culinary Arts campuses ("LCB"). Our decision to pursue the divestiture of LCB was the result of an ongoing portfolio review undertaken to evaluate the strategic direction of the Company. As a result of the decision to sell LCB, the results of operations for the entities to be sold are classified within loss from discontinued operations as of September 30, 2015.

Revenue, operating expenses, loss from discontinued operations, new student enrollments and total student enrollments for our LCB asset held for sale for the quarters and years to date ended September 30, 2015 and 2014 were as follows (dollars in thousands):

	For the Quarter Ended September 30,			For the Year to Date Ended September 30,		
	2015	2014	2015 vs 2014 % Change	2015	2014	2015 vs 2014 % Change
Revenue	$ 41,410	$ 44,499	-6.9%	$ 128,170	$ 129,312	-0.9%
Operating Expenses:						
Educational services and facilities	20,687	21,750	-4.9%	59,745	61,055	-2.1%
General and administrative	20,473	29,546	-30.7%	68,804	96,894	-29.0%
Depreciation and amortization	—	4,282	-100.0%	1	12,860	-100.0%
Asset impairment	33,446	1,523	NM	43,133	8,923	NM
Total operating expenses	74,606	57,101	30.7%	171,683	179,732	-4.5%
Operating loss	$ (33,196)	$ (12,602)	163.4%	$ (43,513)	$ (50,420)	-13.7%
Loss from discontinued operations	$ (33,171)	$ (12,602)	163.2%	$ (43,453)	$ (50,395)	-13.8%
New student enrollments	3,290	4,180	-21.3%	6,780	8,370	-19.0%
Total student enrollments	9,200	10,100	-8.9%	9,200	10,100	-8.9%

Current quarter and current year to date revenue for LCB decreased by $3.1 million or 6.9% and $1.1 million or 0.9%, respectively, as compared to the prior year periods. This decrease in revenue was primarily a result of lower new and total student enrollments which slightly offset the positive impact from the reintroduction of the Associates degree program.

The loss from discontinued operations for LCB increased by $20.6 million for the current year quarter and improved by $6.9 million for the current year to date, as compared to respective prior year periods. The current quarter loss increased as a result of an increase in asset impairments of $31.9 million in the current quarter compared to the prior year quarter. The improvement in loss from discontinued operations for the year to date period is primarily a result of decreases in administrative expenses as well as the decrease due to no longer recording depreciation expense for held for sale assets in the current year which more than offset the increase in asset impairment charges. Administrative expenses decreased primarily due to higher legal settlements in the prior year period and management fee allocations in the prior year periods. In accordance with ASC Topic 205 – *Presentation of Financial Statements*, general corporate overhead cannot be allocated to discontinued operations.

As part of our quarterly accounting procedures, we assessed the fair value of our LCB campuses held for sale and recorded an impairment charge of approximately $33.4 million during the current year quarter. The fair value of our LCB assets held for sale was based upon indications of interest from external parties.

SEGMENT RESULTS OF OPERATIONS

The following tables present unaudited segment results for the reported periods (dollars in thousands):

	For the Quarter Ended September 30,							
	REVENUE			OPERATING (LOSS) INCOME			OPERATING MARGIN (LOSS)	
	2015	2014	% Change	2015	2014	% Change	2015	2014
REVENUE:								
CTU	$ 85,433	$ 82,410	3.7%	$ 18,616	$ 10,698	74.0%	21.8%	13.0%
AIU	50,688	51,889	-2.3%	1,695	(4,194)	NM	3.3%	-8.1%
Total University Group	136,121	134,299	1.4%	20,311	6,504	212.3%	14.9%	4.8%
Corporate and Other	39	52	-25.0%	(8,040)	2,528	NM	NM	NM
Transitional Group	25,914	48,474	-46.5%	(23,065)	(40,764)	43.4%	NM	NM
Total	$ 162,074	$ 182,825	-11.4%	$ (10,794)	$ (31,732)	66.0%	-6.7%	-17.4%

	For the Year to Date Ended September 30,							
	REVENUE			OPERATING (LOSS) INCOME			OPERATING MARGIN (LOSS)	
	2015	2014	% Change	2015	2014	% Change	2015	2014
REVENUE:								
CTU	$256,734	$254,371	0.9%	$ 57,495	$ 46,136	24.6%	22.4%	18.1%
AIU	155,778	154,147	1.1%	3,982	(9,108)	NM	2.6%	-5.9%
Total University Group	412,512	408,518	1.0%	61,477	37,028	66.0%	14.9%	9.1%
Corporate and Other	117	190	-38.4%	(20,936)	(14,121)	-48.3%	NM	NM
Transitional Group	106,527	158,443	-32.8%	(85,268)	(87,839)	2.9%	NM	NM
Total	$519,156	$567,151	-8.5%	$(44,727)	$(64,932)	31.1%	-8.6%	-11.4%

	NEW STUDENT ENROLLMENTS						TOTAL STUDENT ENROLLMENTS		
	For the Quarter Ended September 30,			For the Year to Date Ended September 30,			As of September 30,		
	2015	2014	% Change	2015	2014	% Change	2015	2014	% Change
CTU	5,470	5,460	0.2%	16,180	15,560	4.0%	20,600	19,800	4.0%
AIU	2,980	3,300	-9.7%	10,350	11,210	-7.7%	10,800	11,500	-6.1%
Total University Group	8,450	8,760	-3.5%	26,530	26,770	-0.9%	31,400	31,300	0.3%
Transitional Group (1)	510	3,290	NM	3,170	7,950	NM	5,200	11,300	NM
Total	8,960	12,050	-25.6%	29,700	34,720	-14.5%	36,600	42,600	-14.1%

(1) Teach-out campuses within the Transitional Group segment no longer enroll new students; students who re-enter after 365 days are reported as new student enrollments.

University Group. Current quarter and year to date revenue increased by 1.4% and 1.0%, respectively, as a result of a slight increase in total student enrollments as compared to the prior year periods. New student enrollments remained relatively flat on a year to date basis as compared to the prior year period. A new student enrollment increase of 4.0% for CTU was offset with a 7.7% decrease within AIU in the current year to date. The decrease within AIU was due to decreased applications for this segment in the current year to date as compared to the prior year; the prior year included an increase in advertising spend. Current quarter revenue for CTU increased by 3.7% as compared to prior year quarter and AIU decreased by 2.3% as compared to the prior year quarter as a result of the increase and decrease in total student enrollment, respectively.

Current quarter and year to date operating income for the University Group increased $13.8 million or 212.3%, and $24.4 million or 66.0%, respectively, as compared to the respective prior year periods. The increase is primarily driven by an overall decrease in operating expenses and slight increase in overall revenue. Most expense categories were lower when compared to the prior year periods, including admission and advertising expenses. Efficiencies in the admissions processes and in certain marketing channels drove these improvements.

Transitional Group. This segment includes our campuses which are currently being taught out as of September 30, 2015. In addition, this group also includes campuses which have completed their teach-out activities or have been sold subsequent to January 1, 2015. The current quarter and year to date decline in revenue as compared to the prior year quarter and year to date resulted from a decrease in total student enrollments at the beginning of the year and campuses no longer enrolling new students once a teach-out is announced. We expect revenue to continue to decline as compared to prior periods as campuses continue to wind down their operations.

The operating loss within the Transitional Group decreased by $17.7 million for the current year quarter and $2.6 million for the current year to date as compared to the respective prior year periods. As we continue to wind down programs within our Transitional Group, certain fixed overhead expenses related to academics and administration will be able to be removed from the business.

Corporate and Other. This category includes unallocated costs that are incurred on behalf of the entire company. Corporate and Other costs increased $10.6 million and $6.7 million for the current quarter and current year to date, respectively, as compared to the prior year periods. The increase in cost for the current quarter is primarily driven by restructuring charges related to the reorganization efforts across our campus and corporate functions, increased compensation costs related to the transition of a new CEO and the prior year expenses included a reduction to expense of $8.6 million related to an insurance recovery.

SUMMARY OF CRITICAL ACCOUNTING POLICIES AND ESTIMATES

A detailed discussion of the accounting policies and estimates that we believe are most critical to our financial condition and results of operations that require management's most subjective and complex judgments in estimating the effect of inherent uncertainties is included under the caption "Summary of Critical Accounting Policies and Estimates" included in Management's Discussion and Analysis of Financial Condition and Results of Operations in our Annual Report on Form 10-K for the year ended December 31, 2014. Note 2 "Summary of Significant Accounting Policies" of the notes to our consolidated financial statements in our Annual Report on Form 10-K for the year ended December 31, 2014 also includes a discussion of these and other significant accounting policies.

LIQUIDITY, FINANCIAL POSITION, AND CAPITAL RESOURCES

As of September 30, 2015, cash, cash equivalents, restricted cash and short-term investments totaled $199.4 million. Our cash flows from operations have historically been adequate to fulfill our liquidity requirements. We historically have financed our operating activities, organic growth and acquisitions primarily through cash generated from operations, existing cash balances and credit facility borrowings. The recent declines in operating performance have resulted in an increase in net cash used in operating activities. However, as we execute on our strategic imperatives, we expect continued improving cash trends in the business driven by continued reductions in cash usage related to our Transitional Group and discontinued operations, improved financial performance for our University Group, reduced expenses due to our right-sizing initiatives, reduced real estate obligations and reduced legal costs. As a result, we expect to maintain cash, cash equivalents, restricted cash and investments balances of approximately $190 million in 2015 excluding the timing impact of outstanding checks, deposits and other transfers. We expect those balances to decrease in 2016 as compared to 2015 and grow in 2017 and beyond. The expected decrease in 2016 is primarily a result of a change in expectation regarding both the timing of the sale of our LCB assets and the expected terms of any negotiated transaction. We anticipate that we will be able to satisfy the cash requirements associated with, among other things, our working capital needs, capital expenditures and lease commitments through at least the next 12 months primarily with cash generated by operations and existing cash balances.

Restricted cash balances as of September 30, 2015 approximate $13.7 million and are comprised of restricted cash balances for certificates of deposit to provide securitization for letters of credit.

The discussion above reflects management's expectations regarding liquidity; however, we are not able to assess the effect of loss contingencies on future cash requirements and liquidity. See Note 10 "Contingencies" to our unaudited condensed consolidated financial statements. Further, as a result of the significance of the Title IV Program funds received by our students, we are highly dependent on these funds to operate our business. Any reduction in the level of Title IV funds that our students are eligible to receive or any impact on timing or our ability to receive Title IV Program funds may have a significant impact on our operations and our financial condition. In addition, our financial performance is dependent on the level of student enrollment which could be impacted by external factors. See Item 1A, "Risk Factors," in our Annual Report on Form 10-K for the year ended December 31, 2014.

In particular, to participate in Title IV Programs, our institutions must either satisfy standards of financial responsibility prescribed by ED, or be subjected to additional oversight, required to post a letter of credit in favor of ED or placed on provisional certification. These regulations require each eligible higher education institution to, among other things, satisfy a quantitative standard of financial responsibility that is a weighted average composite score of three annual tests which assess the financial condition of the institution. If the institution achieves a composite score of at least 1.5, it is considered financially responsible without conditions or additional oversight. See Item 1, "Business – Student Financial Aid and Related Federal Regulation – Compliance with Federal Regulatory Standards and Effect of Federal Regulatory Violations – *Financial Responsibility Standards,*" in our Annual Report for Form 10-K for the year ended December 31, 2014 for more information regarding ED's standards of financial responsibility.

ED applies its quantitative financial responsibility tests annually based on an institution's audited financial statements. Recent profitability declines and the write down of the carrying value of non-financial assets, such as deferred tax assets and goodwill, have negatively impacted our financial responsibility composite score. Our composite score for the consolidated entity for each of the years ended December 31, 2013 and 2014 was 1.5, which are considered financially responsible without conditions or additional oversight. The Company continuously monitors compliance with ED's standards of financial responsibility. In order to remain financially responsible for 2015 and 2016, as defined by ED, the Company is exploring additional steps which include further cost reductions, investing in new business technologies, long-term borrowing options, raising capital, acquisitions or divestitures and other organization changes. Additionally, our investment decisions, such as the use of our cash, will be impacted by the course of action we choose.

There can be no assurance that the Company's actions will result in the Company remaining financially responsible as defined by ED. For example, a failure to successfully implement our plan to sell our Culinary Arts campuses would have a significant negative impact on our financial responsibility composite score. Additionally, our plans to reduce costs through closure of campuses may negatively impact our composite score in the short term. We believe that recent developments in the proprietary postsecondary education industry have negatively impacted the availability and cost of capital for companies in the industry, which may impact the course of action we choose, the terms of any transaction undertaken and our future compliance with ED's financial responsibility standards. Further, there is some uncertainty regarding ED's treatment of certain components of the financial responsibility composite score.

ED has significant discretion in determining the monitoring and reporting procedures applicable to an institution with a composite score below 1.5, the amount of any required letter of credit and the terms of any provisional certification. If in the future we are required to satisfy ED's standards of financial responsibility on an alternative basis, including potentially by posting irrevocable letters of credit, we may not have the capacity to post these letters of credit.

Sources and Uses of Cash

Operating Cash Flows

During the years to date ended September 30, 2015 and 2014, net cash flows used in operating activities totaled $21.0 million and $101.1 million, respectively. The current year operating cash usage included cash receipt of $14.0 million for an income tax refund offset with payments of $28.6 million of real estate payments for lease obligations of vacated facilities, of which $14.4 million was paid to exit facilities which reduced future lease obligations by $40.6 million, as well as $4.9 million of cash payments for legal settlements and separation payments for the previous CEO. The prior year to date cash usage included legal settlement payments of approximately $22.0 million.

Our primary source of cash flows from operating activities is tuition collected from our students. Our students derive the ability to pay tuition costs through the use of a variety of funding sources, including, among others, federal loan and grant programs, state grant programs, private loans and grants, institution payment plans, private and institutional scholarships and cash payments. For each of the years to date ended September 30, 2015 and 2014, approximately 77% of our institutions' cash receipts from tuition payments came from Title IV Program funding.

For further discussion of Title IV Program funding and alternative private loan funding sources for our students, see Item 1, "Business - Student Financial Aid and Related Federal Regulation," in our Annual Report on Form 10-K for the year ended December 31, 2014.

Our primary uses of cash to support our operating activities include, among other things, cash paid and benefits provided to our employees for services, to vendors for products and services, to lessors for rents and operating costs related to leased facilities, to suppliers for textbooks and other institution supplies, and to federal, state and local governments for income and other taxes.

Investing Cash Flows

During the years to date ended September 30, 2015 and 2014, net cash used in investing activities totaled $4.4 million and $90.9 million, respectively.

Purchases and Sales of Available-for-Sale Investments. Purchases and sales of available-for-sale investments resulted in a $5.4 million net cash inflow and $79.9 million net cash outflow during the years to date ended September 30, 2015 and 2014, respectively.

Capital Expenditures. Capital expenditures decreased to $7.9 million for the year to date ended September 30, 2015 as compared to $10.6 million for the year to date ended September 30, 2014. Capital expenditures represented 1.2% and 1.5% of total revenue of continuing and discontinued operations during the years to date ended September 30, 2015 and 2014, respectively.

Proceeds on the sale of assets. The sale of property at one of our campuses resulted in net proceeds of approximately $2.3 million.

Payments of cash upon sale of businesses. In connection with the sale of our Brooks Institute and Missouri College campuses, we made payments of approximately $2.0 million and $2.1 million, respectively, to the buyers.

Financing Cash Flows

During the years to date ended September 30, 2015 and 2014, net cash flows provided by financing activities totaled $0.3 million and net cash used totaled $0.1 million, respectively.

Credit Agreement. On October 31, 2014, we entered into a $120.0 million Amended and Restated Credit Agreement with BMO Harris Bank N.A., in its capacities as the initial lender and letter of credit issuer thereunder and the administrative agent for the lenders which from time to time may be parties to the Credit Agreement. The revolving credit facility under the Credit Agreement is scheduled to mature on June 30, 2016 and replaced our previous credit agreement entered into on December 30, 2013. The Credit Agreement, which includes certain financial covenants, requires that fees and interest are payable monthly and quarterly in arrears, respectively, and principal is payable at maturity. During the year to date of 2015, we repaid the $10.0 million which was borrowed under the Credit Agreement during the fourth quarter of 2014. As of September 30, 2015, we have no outstanding borrowing under the Credit Agreement and we remain in compliance with the covenants of the Credit Agreement.

Restricted Cash. As of September 30, 2015, we had approximately $13.7 million of restricted cash related to certificates of deposit to secure outstanding letters of credit. As of December 31, 2014, our restricted cash balances approximated $22.9 million related to collateralization of borrowings under our Credit Agreement and certificates of deposit to secure outstanding letters of credit.

Contractual Obligations

As of September 30, 2015, future minimum cash payments under contractual obligations for our non-cancelable operating lease arrangements were as follows (dollars in thousands):

	2015 (4)	2016	2017	2018	2019	2020 & Thereafter	Total
Gross operating lease obligations (1)							
CTU	$ 1,717	$ 1,538	$ 1,578	$ 1,627	$ 1,678	$ 2,417	$ 10,555
AIU	8,628	6,411	6,522	6,676	6,207	2,903	37,347
Total University Group	**10,345**	**7,949**	**8,100**	**8,303**	**7,885**	**5,320**	**47,902**
Corporate and Other	5,263	4,799	4,485	4,575	4,666	13,741	37,529
Subtotal	**15,608**	**12,748**	**12,585**	**12,878**	**12,551**	**19,061**	**85,431**
Transitional Group	25,706	21,420	18,642	17,759	12,574	16,822	112,923
Discontinued Operations (Excluding Culinary Arts)	15,994	14,972	13,536	6,734	1,438	620	53,294
Discontinued Operations (Culinary Arts)	22,235	21,631	17,248	16,004	12,067	12,079	101,264
Total gross operating lease obligations (2)	**$79,543**	**$70,771**	**$62,011**	**$53,375**	**$38,630**	**$ 48,582**	**$352,912**
Sublease income (3)							
CTU	$ 12	$ 5	$ —	$ —	$ —	$ —	$ 17
AIU	1,407	113	—	—	—	—	1,520
Total University Group	**1,419**	**118**	**—**	**—**	**—**	**—**	**1,537**
Corporate and Other	129	345	58	58	5	—	595
Subtotal	**1,548**	**463**	**58**	**58**	**5**	**—**	**2,132**
Transitional Group	5,098	5,123	4,985	801	675	692	17,374
Discontinued Operations (Excluding Culinary Arts)	—	—	—	—	—	—	—
Discontinued Operations (Culinary Arts)	1,851	3,148	3,224	3,033	1,612	376	13,244
Total sublease income	**$ 8,497**	**$ 8,734**	**$ 8,267**	**$ 3,892**	**$ 2,292**	**$ 1,068**	**$ 32,750**
Net operating lease obligations							
CTU	$ 1,705	$ 1,533	$ 1,578	$ 1,627	$ 1,678	$ 2,417	$ 10,538
AIU	7,221	6,298	6,522	6,676	6,207	2,903	35,827
Total University Group	**8,926**	**7,831**	**8,100**	**8,303**	**7,885**	**5,320**	**46,365**
Corporate and Other	5,134	4,454	4,427	4,517	4,661	13,741	36,934
Subtotal	**14,060**	**12,285**	**12,527**	**12,820**	**12,546**	**19,061**	**83,299**
Transitional Group	20,608	16,297	13,657	16,958	11,899	16,130	95,549
Discontinued Operations (Excluding Culinary Arts)	15,994	14,972	13,536	6,734	1,438	620	53,294
Discontinued Operations (Culinary Arts)	20,384	18,483	14,024	12,971	10,455	11,703	88,020
Total net contractual lease obligations (2)	**$71,046**	**$62,037**	**$53,744**	**$49,483**	**$36,338**	**$ 47,514**	**$320,162**

(1) Amounts exclude certain costs associated with real estate leases, such as expense for common area maintenance (i.e. "CAM") and taxes, as these amounts are undeterminable at this time and may vary based on future circumstances.
(2) Certain real estate properties are shared by campuses within multiple segments. The lease obligations for shared locations are reported under the segment which holds the legal title to the lease.
(3) Amounts provided are for executed sublease arrangements.
(4) Amounts provided are for the full year of 2015.

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

We are exposed to financial market risks, including changes in interest rates and foreign currency exchange rates. We use various techniques to manage our market risk, including, from time to time, the use of derivative financial instruments. We do not use derivative financial instruments for speculative purposes.

Our municipal bond investment in auction rate securities ("ARS") has a stated term to maturity of greater than one year, and as such, we classify our investment in ARS as non-current on our condensed consolidated balance sheets within other assets. Auctions can "fail" when the number of sellers of the security exceeds the buyers for that particular auction period. In the event that an auction fails, the interest rate resets at a rate based on a formula determined by the individual security. The ARS for which auctions have failed continues to accrue interest and is auctioned on a set interval until the auction succeeds, the issuer calls the security, or it matures. As of September 30, 2015, we have determined this investment is at risk for impairment due to the nature of the liquidity of the market over the past several years. Cumulative unrealized losses as of September 30, 2015 amount to $0.5 million and are reflected within accumulated other comprehensive loss as a component of stockholders' equity. We believe this impairment is temporary, as we do not intend to sell the investment and it is unlikely we will be required to sell the investment before recovery of its amortized cost basis.

Interest Rate Exposure

Any outstanding borrowings under our revolving credit facility bear annual interest at fluctuating rates under either the Base Rate Loan or as determined by the London Interbank Offered Rate (LIBOR) for the relevant currency, plus the applicable rate based on the type of loan. As of September 30, 2015, we had no outstanding borrowings under this facility.

Our financial instruments are recorded at their fair values as of September 30, 2015 and December 31, 2014. We believe that the exposure of our consolidated financial position and results of operations and cash flows to adverse changes in interest rates is not significant.

ITEM 4. CONTROLS AND PROCEDURES

Evaluation of Disclosure Controls and Procedures

We completed an evaluation as of the end of the period covered by this Quarterly Report on Form 10-Q ("Report") under the supervision and with the participation of management, including our Chief Executive Officer and Interim Chief Financial Officer, of the effectiveness of the design and operation of our disclosure controls and procedures pursuant to Rule 13a-15(b) of the Securities Exchange Act of 1934, as amended (the "Exchange Act"). Based upon that evaluation, our Chief Executive Officer and Interim Chief Financial Officer concluded that, as of September 30, 2015 our disclosure controls and procedures were effective to provide reasonable assurance that (i) the information required to be disclosed by us in this Report was recorded, processed, summarized, and reported within the time periods specified in the rules and forms provided by the U.S. Securities and Exchange Commission ("SEC") and (ii) information required to be disclosed by us in our reports that we file or submit under the Exchange Act is accumulated and communicated to our management, including our principal executive and principal financial officers, or persons performing similar functions, as appropriate to allow timely decisions regarding required disclosure.

Changes in Internal Control over Financial Reporting

There were no changes in our internal control over financial reporting that occurred during the quarter ended September 30, 2015, that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

Inherent Limitations on the Effectiveness of Controls

Our management does not expect that our disclosure controls and procedures or our internal controls will prevent or detect all errors and all fraud. A control system, no matter how well conceived and operated, can provide only reasonable, not absolute, assurance that the objectives of the control system are met. 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 a cost-effective control system, no evaluation of controls can provide absolute assurance that misstatements due to error or fraud will not occur or that all control issues and instances of fraud, if any, within our 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. Controls can also be circumvented by the individual acts of some persons, by collusion of two or more people, or by management override of the controls. The design of any system of controls is based in part on 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. Projections of any evaluation of controls effectiveness to future periods are subject to risks. Over time, controls may become inadequate because of changes in conditions or deterioration in the degree of compliance with policies or procedures.

PART II – OTHER INFORMATION

Item 1. Legal Proceedings

Note 10 “Contingencies” to our unaudited condensed consolidated financial statements is incorporated herein by reference.

Item 1A. Risk Factors

In addition to the other information set forth in this Quarterly Report on Form 10-Q, the reader should carefully consider the factors discussed in Part I, Item 1A “Risk Factors,” in the Company’s Annual Report on Form 10-K for the year ended December 31, 2014, which was filed with the Securities and Exchange Commission on March 3, 2015.

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

The following table sets forth information regarding purchases made by us of shares of our common stock on a monthly basis during the year to date ended September 30, 2015:

Issuer Purchases of Equity Securities

Period	Total Number of Shares Purchased (1)	Average Price Paid per Share	Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs (2)	Maximum Approximate Dollar Value of Shares that May Yet Be Purchased Under the Plans or Programs (2)
December 31, 2014				$ 183,296,772
January 1, 2015—January 31, 2015	—	$ —	—	183,296,772
February 1, 2015—February 28, 2015	—	—	—	183,296,772
March 1, 2015—March 31, 2015	75,987	5.48	—	183,296,772
April 1, 2015—April 30, 2015	—	—	—	183,296,772
May 1, 2015—May 31, 2015	441	4.13	—	183,296,772
June 1, 2015—June 30, 2015	1,138	4.01	—	183,296,772
July 1, 2015—July 31, 2015	-	-	—	183,296,772
August 1, 2015—August 31, 2015	-	-	—	183,296,772
September 1, 2015—September 30, 2015	-	-	—	183,296,772
Total	77,566		—	

(1) Includes 77,566 shares delivered back to the Company for payment of withholding taxes from employees for vesting restricted shares and restricted stock units pursuant to the terms of the Career Education Corporation 2008 Incentive Compensation Plan.

(2) As of September 30, 2015, approximately $183.3 million was available under our previously authorized repurchase program. Stock repurchases under this program may be made on the open market or in privately negotiated transactions from time to time, depending on various factors, including market conditions and corporate and regulatory requirements. The stock repurchase program does not have an expiration date and may be suspended or discontinued at any time.

In connection with the appointment of Todd S. Nelson as President and Chief Executive Officer, on August 12, 2015 he was issued 520,834 cash-settled restricted stock units (the “Non-Plan Award”) outside of the Company’s 2008 Incentive Compensation Plan, as amended (the “2008 Plan”), in addition to awards under the 2008 Plan. The terms of the Non-Plan Award, as well as the awards made under the 2008 Plan, are set forth in a Current Report on Form 8-K filed by the Company on July 31, 2015. The Non-Plan Award was granted in a transaction exempt from the registration requirements of the Securities Act of 1933, as amended (the “Act”), in reliance on Section 4(2) of the Act.

Item 5. Other Information

On October 26, 2015, the Board of Directors (the “Board”) of the Company appointed Thomas B. Lally to serve as Chairman of the Board, effective immediately. Mr. Lally has been an independent member of the Board since 1998.

On November 2, 2015, the Compensation Committee of the Board approved the Career Education Corporation Executive Severance Plan (Amended and Restated as of November 2, 2015) (the "Amended Plan"). The Amended Plan amends and restates the Career Education Corporation Executive Severance Plan (Amended and Restated as of January 1, 2015) (the "Prior Plan").

The Amended Plan amends the Prior Plan by, among other things:

- Continuing to include the Company's executive officers subject to the reporting requirements of Section 16 of the Securities Exchange Act of 1934, as amended, and any other executives who are elected officers of the Company, but no longer including other executives solely due to the fact that they report directly to the President and CEO
- Updating language relating to the Worker Adjustment and Retraining Notification Act ("WARN Act") to reflect the coordination of the payment of severance benefits with periods of paid administrative leave

The Amended Plan maintains a severance amount generally calculated as one times base pay plus target bonus. The Amended Plan no longer provides for a severance amount calculated as two times the sum of base pay plus target bonus in instances where the Company requires a two year post-termination covenant not to compete as a result of an earlier amendment to the Prior Plan.

The foregoing description of the Amended Plan is qualified in its entirety by reference to the provisions of the Amended Plan attached as Exhibit 10.9 to this Quarterly Report on Form 10-Q.

Item 6. Exhibits

The exhibits required to be filed by Item 601 of Regulation S-K are listed in the "Exhibit Index," which is attached hereto and incorporated by reference herein.

SIGNATURES

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

CAREER EDUCATION CORPORATION

Date: November 4, 2015

By: /s/ Todd S. Nelson

Todd S. Nelson
President and Chief Executive Officer
(Principal Executive Officer)

Date: November 4, 2015

By: /s/ David Rawden

David Rawden
Interim Chief Financial Officer
(Principal Financial Officer)

INDEX TO EXHIBITS

Exhibit Number	Exhibit	Incorporated by Reference to:
*10.1	Amended and Restated 2015 Annual Incentive Award Program pursuant to the Career Education Corporation 2008 Incentive Compensation Plan (the "2008 Plan")	Exhibit 10.1 to our Form 8-K filed July 20, 2015
*10.2	Amendment to Restricted Stock Unit Agreements between Career Education Corporation (the "Company") and Ronald McCray dated July 17, 2015	Exhibit 10.2 to our Form 8-K filed July 20, 2015
*10.3	Letter Agreement between the Company and Todd Nelson dated July 30, 2015	Exhibit 10.1 to our Form 8-K filed July 31, 2015
*10.4	Form of Cash-Settled Restricted Stock Unit Agreement between the Company and Todd Nelson pursuant to the 2008 Plan	Exhibit 10.2 to our Form 8-K filed July 31, 2015
*10.5	Form of Cash-Settled Restricted Stock Unit Agreement between the Company and Todd Nelson	Exhibit 10.3 to our Form 8-K filed July 31, 2015
*10.6	Form of Stock-Settled Restricted Stock Unit Agreement between the Company and Todd Nelson pursuant to the 2008 Plan	Exhibit 10.4 to our Form 8-K filed July 31, 2015
*10.7	Form of Non-Qualified Stock Option Agreement between the Company and Todd Nelson pursuant to the 2008 Plan	Exhibit 10.5 to our Form 8-K filed July 31, 2015
*10.8	Form of Performance Unit Agreement between the Company and Todd Nelson pursuant to the 2008 Plan	Exhibit 10.6 to our Form 8-K filed July 31, 2015
+*10.9	Career Education Corporation Executive Severance Plan (Amended and Restated as of November 2, 2015)	
+31.1	Certification of CEO Pursuant to Section 302 of Sarbanes-Oxley Act of 2002	
+31.2	Certification of CFO Pursuant to Section 302 of Sarbanes-Oxley Act of 2002	
+32.1	Certification of CEO Pursuant to Section 906 of Sarbanes-Oxley Act of 2002	
+32.2	Certification of CFO Pursuant to Section 906 of Sarbanes-Oxley Act of 2002	
+101	The following financial information from our Quarterly Report on Form 10-Q for the nine months ended September 30, 2015, filed with the SEC on November 4, 2015, formatted in Extensible Business Reporting Language (XBRL): (i) the Condensed Consolidated Balance Sheets as of September 30, 2015 and December 31, 2014, (ii) the Unaudited Condensed Consolidated Statements of Loss and Comprehensive Loss for the quarter and year to date ended September 30, 2015 and September 30, 2014, (iii) the Unaudited Condensed Consolidated Statements of Cash Flows for the year to date ended September 30, 2015 and September 30, 2014, and (iv) Notes to Unaudited Condensed Consolidated Financial Statements	

___
* Management contract or compensatory plan or arrangement required to be filed as an Exhibit on this Form 10-Q.
+Filed herewith.

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Section 2: EX-10.9 (EX-10.9)

Exhibit 10.9

CAREER EDUCATION CORPORATION

EXECUTIVE SEVERANCE PLAN

Plan Document and Summary Plan Description
(Amended and Restated as of November 2, 2015)

Career Education Corporation ("**CEC**") previously implemented the Career Education Corporation Severance Plan for Executive Level Employees, effective as of February 1, 2008, which was amended and restated as the Career Education Corporation Executive Severance Plan effective as of July 1, 2010, which was amended and restated effective as of January 1, 2015, and is further amended and restated by this document (the "**Plan**"). The Plan describes the circumstances under which certain Eligible Employees of CEC and its subsidiaries (collectively, the "**Company**") may receive severance benefits if their employment with the Company is involuntarily terminated. The purpose of the Plan is to assist Eligible Employees, as defined below, during the transition to their next employment. The Plan is effective for terminations occurring on or after the Effective Date (as defined in Section V.B.) and supersedes and replaces any and all prior severance policies, plans, and programs applicable to the Eligible Employees, as in effect prior to the Effective Date.

I. ELIGIBILITY

A. Eligibility for Discretionary Benefit Upon Involuntary Termination.

If the Plan Administrator (as defined in Section III.A) determines that the employment of an Eligible Employee (as defined in Section I.B) is involuntarily terminated by action of the Company, the Plan Administrator may, in its sole discretion, provide such Eligible Employee benefits, determined in accordance with Section II.A. An individual who does not meet the requirements of this Section I shall not be entitled to receive benefits under the Plan.

B. Eligible Employees.

Employees of the Company who are eligible to participate in the Plan ("**Eligible Employees**") include only those employees whose regular place of employment is at a location in the United States and who is (i) considered an officer of CEC is subject to Section 16 of the Securities Exchange Act of 1934, as amended, or (ii) any individual, who is an elected officer of CEC at the time of employment termination, as appointed by the CEC Board of Directors.

C. Terminations Deemed Not Involuntary.

Unless the Compensation Committee of the Board of Directors of CEC (the "**Compensation Committee**") determines otherwise, if the Plan Administrator determines that an Eligible Employee's employment with the Company has been terminated (i) for Cause, (ii) due to an agreement between the Company and the Eligible Employee whereby the Eligible

Employee becomes a consultant or independent contractor with the Company, (iii) by reason of death, disability, retirement (including voluntary retirement under a special early retirement incentive program), or (iv) for any form of voluntary termination, then such termination shall not be considered involuntary, and such Eligible Employee shall not be eligible to receive any severance benefits under the Plan. An employee's termination of employment with the Company shall be a termination for Cause if the employee is discharged by the Company for poor performance, non-performance, or misconduct. Misconduct shall include, but is not limited to, insubordination, dishonesty, theft, violation of Company rules, and willful destruction of Company property.

D. Early Departure.

The Plan Administrator, in its sole discretion, shall determine the date that an Eligible Employee terminates employment with the Company for purposes of determining eligibility for benefits under the Plan. An Eligible Employee shall not be deemed terminated simply upon notice by the Company of termination or possible termination at some future date, whether or not such date is fixed and certain. Any employee who resigns before any termination date specified by the Company or while the Company still desires such employee's continuing services shall not be eligible to receive benefits under the Plan.

E. Reemployment and Offers of Reemployment.

Benefits under the Plan for any Eligible Employee who is terminated by the Company in a manner that would entitle him or her to Plan benefits and who is reemployed or offered reemployment by the Company or a related entity of the Company, shall cease as of and upon such Eligible Employee's reemployment, or offer of reemployment in a similar position, regardless of whether the Eligible Employee was otherwise entitled to additional benefits under the Plan.

F. Offer of Another Position.

If an Eligible Employee is terminated after having refused another position with the Company or a related entity (or, in the event of any type of corporate transaction, with a purchaser or other acquiring entity, or a related entity of the Company, purchaser, or acquiring entity), such termination shall not be considered involuntary, and such employee shall not be eligible to receive benefits under the Plan; provided, however, that the Plan Administrator, in its sole discretion, may treat such termination as involuntary if such position, if accepted, would have resulted in a material negative change in the employee's service relationship as compared with the situation in effect immediately prior to such termination, or is at a location sufficiently distant from the location of the employee's current position as would require relocation of such employee's residence.

G. Release of Claims.

In addition to the terms and conditions for benefits stated above, the Plan Administrator shall require that, as a condition of eligibility for severance benefits, an Eligible Employee shall sign a release of claims in a form acceptable to the Plan Administrator. The Eligible Employee's failure or refusal to sign such release or the Eligible Employee's revocation of such release, to the extent revocation is permitted by the terms of the release and this Plan, shall disqualify the Eligible Employee from receiving any benefits under this Plan.

The Plan Administrator shall advise an Eligible Employee to consult an attorney at his or her own expense prior to executing a release of claims and shall, in accordance with the circumstances of the termination, afford such Eligible Employee either (a) a reasonable period of time, as determined solely within the Plan Administrator's discretion, or (b) the period of time required by applicable law, to consider whether to execute such release. If an Eligible Employee signs such release, he or she shall have seven (7) days after execution of such release to revoke such release. Upon the expiration of the seven (7) day revocation period, if the Eligible Employee has not effectively revoked his or her release (as provided in the release document), then such release shall become irrevocable.

If an Eligible Employee files a lawsuit, charge, complaint or other claim asserting any claim or demand within the scope of any such release, the Company and the Plan Administrator, whether or not such claim may be valid, shall retain all rights and benefits of the release and this Plan and shall have the right to recoup the value of all payments made in accordance with the Plan, together with costs and attorneys fees, in accordance with applicable law. Nothing provided herein shall restrict the Company's ability or freedom to make any offer in settlement of any claim against the Company, Plan Administrator, or any of the Company's employee benefit plans without regard to the terms of this Plan.

H. **Other Conditions for Plan Benefits**.

In addition to the other requirements for benefits set forth in this Section I, the Plan Administrator will require an Eligible Employee to enter into a separation agreement provided by the Company. Such separation agreement will require the Eligible Employee to meet certain obligations as a condition to obtaining or continuing to receive benefits under the Plan. Examples of these obligations include, but are not limited to, the following, to the extent permitted by governing law and allowed under the ethical rules of any applicable professional licensing organizations: returning Company property, a minimum of a twelve (12) month covenant not to solicit Company employees, a minimum of a twelve (12) month covenant not to compete with the Company, maintaining confidentiality of confidential information received while employed by the Company, and cooperating in litigation or an investigation involving the Company.

I. **Supplements**.

The Plan Administrator may also attach, as a Supplement to this Plan, the terms and conditions (including the amount) of a severance arrangement applicable to one or more Eligible Employees as the result of a corporate event, such as a down-sizing, reduction in force, or closing of a division or facility. Any such Supplement will be subject to the provisions of this Plan, unless otherwise set forth in such Supplement.

II. AMOUNT AND PAYMENT OF SEVERANCE BENEFITS

A. Generally.

If, in accordance with Section I.A, the Plan Administrator determines that an individual is an Eligible Employee under the terms of the Plan, the Plan Administrator shall determine, in its sole discretion and on a nondiscriminatory basis, the amount and type of severance benefits the Eligible Employee shall receive, subject to this Section II and taking into account any factors that the Plan Administrator deems reasonable and appropriate. The Plan Administrator may establish, and may from time to time and at any time amend, standards or definitions applicable to such determinations if the Plan Administrator deems such standards or definitions appropriate.

1. Severance Pay. Subject to the provisions of the foregoing paragraph, an Eligible Employee, whose employment is involuntarily terminated by the Company for any reason, other than a termination deemed not involuntary under Section I.C., shall be entitled to a severance payment equal to one-times Pay, subject to compliance with Plan requirements.

   For purposes of this Section II.A., an Eligible Employee's "**Pay**" shall mean the sum of (a) his or her annual base salary as shown on the Company's records at the time of termination, plus (b) the target value of his or her annual incentive under the Company's applicable annual incentive program (or program of similar effect) for the year in which termination occurs.

   Following is an example of the severance calculation formula of base pay:

Annual Salary at Time of Termination	Annual Incentive Plan Target (expressed as a % of salary)	Annual Incentive Plan Value	Applicable "Pay" for Plan Purposes
$200,000	50%	$100,000	$300,000

   Unless otherwise waived, all Eligible Employees receiving a severance package equal to one-times Pay will be expected to agree, pursuant to the separation agreement entered into pursuant to Section I.H., to the continuation of the non-compete covenant set forth in such Eligible Employee's new hire package or annual long-term incentive award agreements for a period of 12-months.

2. Partially Subsidized COBRA Premium. An Eligible Employee who is a participant in the Company's health and/or dental insurance program(s) at the time of termination, and who, after termination, timely elects to continue such insurance coverage under the federal law commonly referred to as COBRA, shall be entitled to such COBRA coverage at the same cost that similarly situated active employees of the Company pay for such insurance coverage (as in effect from time to time) for the period of time beginning immediately after such employment termination and lasting for the number of weeks that is equal to the number of weeks of Pay for which the Eligible Employee is eligible (or the

COBRA period, if shorter). To the extent permitted by applicable law in a manner that does not cause adverse tax consequences for participants in such health and/or dental programs, the amounts payable pursuant to this Section II.A.2 shall be paid to the eligible individual on a pre-tax basis.

3. Outplacement. An Eligible Employee shall receive outplacement assistance from a provider selected by the Company. The terms and conditions of any such outplacement assistance shall be communicated in writing to the Eligible Employee at the time of his or her employment termination (or as soon as possible thereafter), but in no event will provision, or reimbursements, of such assistance occur later than December 31 of the second year following the year in which the Eligible Employee terminates employment.

B. Payment.

Payment and provision of severance benefits shall be subject to the following terms and conditions:

1. Severance of one-times Pay will be paid in a lump sum following termination of employment and shall be made on or before March 15 of the year following the year in which the Eligible Employee's termination occurs. If the Eligible Employee has not signed the required release of claims and the required separation agreement, or has revoked such release within any applicable revocation period, the Eligible Employee will forfeit any benefits otherwise due under the Plan.

2. Severance benefits shall be subject to all applicable federal and state tax withholding and any other withholdings required under applicable law.

3. Severance benefits shall be in addition to any pay for accrued but unused vacation to which a terminated Eligible Employee may be entitled.

4. Severance benefits shall not be considered "compensation" for purposes of determining any benefits provided under any pension, savings or other employee benefit plan maintained by the Company.

C. Interaction With WARN Act.

Notwithstanding anything in this Plan to the contrary, severance benefits provided under the Plan will be reduced (but not below zero) by the amount of any wages and benefits the Company determines in its discretion (i) may be required to be provided to an Eligible Employee pursuant to the federal Worker Adjustment and Retraining Notification Act and/or any state or local statute, regulation or ordinance addressing mass employment separations (together, the "WARN Act"); and/or (ii) are wages and benefits provided to an Eligible Employee during any administrative or other leave occurring during a period for which the Eligible Employee is receiving notification of employment separation consistent with the WARN Act, in either case without regard to whether Eligible Employees assert such rights. The Plan is not intended to duplicate wages and benefits which may be required by the

WARN Act; but, rather, that severance benefits under the Plan are to be coordinated with any such payments.

D. Other Benefits/Offsets.

Any benefit payment due to an Eligible Employee under this Plan will be reduced (but not below zero) by any severance pay, salary continuation, termination pay, or similar pay or allowance ("**Other Benefit Arrangement**") that the Eligible Employee receives or is entitled to receive under any employment, severance or other agreement between the Eligible Employee and the Company. This Plan is not intended to, and shall not result in any duplication of payments or benefits to any Eligible Employee under any Other Benefit Arrangement.

If the Plan Administrator determines that an employee (i) could have been terminated for Cause, (ii) violated his or her separation agreement or any applicable restrictive covenant, or (iii) has been reemployed or offered reemployment as described in Section I.E., then the Plan Administrator may either cancel or stop the payment or provision of any Plan benefits. In addition, if the employee already began to receive Plan benefits under such circumstances (except reemployment or an offer of reemployment), the Plan Administrator may require the employee to reimburse the Company for the gross amount of any Plan benefits already received.

Plan benefits shall also be reduced for tax withholding as described in Section II.B.2.

III. PLAN ADMINISTRATION

A. Employee Benefits Committee is Plan Administrator.

The Board of Directors of CEC and the Compensation Committee have appointed the Employee Benefits Committee as the Plan Administrator and the Named Fiduciary of the Plan. The Plan Administrator may delegate its powers and responsibilities for administration of the Plan to one or more persons or subcommittees. The Plan Administrator may adopt such rules and regulations and may make such decisions as it deems necessary or desirable for the proper administration of the Plan.

B. Plan Administrator's Determination.

Unless otherwise determined by the Compensation Committee, all determinations regarding benefits will be made by the Plan Administrator in accordance with the written terms of the Plan. The Plan Administrator shall have the express discretionary authority to determine eligibility for benefits and the amount of benefits, to decide factual and other questions relating to the Plan, and to interpret the terms of the Plan. Determinations and interpretations by the Plan Administrator, including without limitation decisions relating to eligibility for, entitlement to, and payment of benefits, shall be conclusive and binding for all purposes (unless determined by a court of competent jurisdiction to be an arbitrary and capricious abuse of discretion). When making any determination or calculation, the Plan Administrator shall be entitled to rely upon the accuracy and completeness of information furnished by the Company's employees and agents.

IV. CLAIMS FOR BENEFITS

A. Submission of Claims.

All claims for benefits must be submitted to the Plan Administrator.

B. Denial of Claims.

If a claim for benefits is denied in whole or in part, the claimant shall receive a written or electronic notice explaining the denial of the claim within ninety (90) days after the Plan Administrator's receipt of the claim. If the Plan Administrator determines that for reasons beyond its control, a ninety (90) day extension of time is necessary to process the claim, the claimant shall be notified in writing of the extension and reason for the extension within ninety (90) days after the Plan Administrator's receipt of the claim. The written extension notification shall also indicate the date by which the Plan Administrator expects to render a decision. A notice of denial of claim shall contain the following:

1. The specific reason or reasons for the denial;
2. Reference to the specific Plan provisions on which the denial is based;
3. A description of any additional materials or information necessary for such claimant to perfect the claim and an explanation of why such material or information is necessary; and
4. A description of the Plan's review procedures and the time limits applicable to such procedures, including a statement of the claimant's right to bring a civil action under Section 502(c) of ERISA following an adverse benefit determination on review.

C. Review of Denied Claims.

A claimant may file a written request for a review of the denial of a claim within sixty (60) days after receiving written or electronic notice of the denial. The claimant may submit written comments, documents, records and other relevant information in support of the claim. A claimant shall be provided, upon request and without charge, reasonable access to, and copies of, all documents, records, and other information relevant to the claimant's claim for benefits. A document, record, or other information shall be considered relevant if it: (a) was relied upon in denying the claim; (b) submitted, considered or generated in the course of processing the claim, regardless of whether it was relied upon; (c) demonstrates compliance with the claims procedures process; or (d) constitutes a statement of Plan policy or guidance concerning the denied benefit. In reviewing a denied claim, the reviewer shall take into consideration all comments, documents, records, and other information submitted by the claimant in support of the claim, without regard to whether such information was submitted or considered in the initial benefit determination. The Plan Administrator will notify the claimant electronically or in writing of its decision on the appeal. Such notification will be in a form designed to be understood by the claimant. If the claim is denied in whole or in part on appeal, the notification will also contain:

1. The specific reason or reasons for the denial;

2. Reference to the specific Plan provisions on which the determination is based;

3. A statement that the claimant is entitled to receive, upon request and free of charge, reasonable access to, and copies of, all documents, records, and other information relevant to the claimant's claim for benefits. A document, record, or other information shall be considered relevant if it: (i) was relied upon in denying the claim; (ii) submitted, considered or generated in the course of processing the claim, regardless of whether it was relied upon; (iii) demonstrates compliance with the claims procedures process; or (iv) constitutes a statement of Plan policy or guidance concerning the denied benefit; and

4. A statement that the claimant has a right to bring an action under Section 502(a) of ERISA and information about any voluntary appeals.

Such notification will be given by the Plan Administrator within sixty (60) days after the complete appeal is received by the Plan Administrator (or within one hundred twenty (120) days if the Plan Administrator determines special circumstances require an extension of time for considering the appeal, and if written notice of such extension and circumstances is given to the claimant within the initial sixty (60) day period). Such written extension notice shall also indicate the date by which the Plan Administrator expects to render a decision.

No person may bring an action for any claim for Plan benefits in a court of law unless the claims and appeals procedures set forth above are exhausted and a final determination is made by the Plan Administrator. Any action brought in a court of law after exhaustion of such remedies must be brought within one (1) year after the Plan Administrator delivers final notice that a claimant's appeal was denied in whole or in part.

D. Legal Action.

If a claimant decides to take legal action related to a claim for benefits or such claimant's rights under the Plan, the agent to receive legal process is the Plan Administrator.

V. MISCELLANEOUS

A. Status of Plan.

The Plan is a severance plan and is therefore a welfare benefit plan within the meaning of Section 3(1) of ERISA, rather than a pension or retirement plan. Benefits payable under the Plan are not contingent, directly or indirectly, on an Eligible Employee's retirement. Eligible Employees have no vested right to benefits under the Plan.

B. Effective Date.

The "**Effective Date**" of the Plan is November 1, 2015.

C. No Vested Benefits.

Inclusion as an Eligible Employee does not confer any vested benefits on a participant. No benefits are vested until an Eligible Employee has been terminated and notified of his or her benefits under the Plan.

D. Amendment and Termination.

CEC reserves the right to amend, modify or terminate, in whole or in part, the Plan at any time.

E. Funding of Benefits.

Plan benefits are paid from the Company's general assets as benefits become payable under the Plan. No separate trust or segregated assets shall be required to be established to pay benefits.

F. Binding on Successors and Assigns.

The provisions of this Plan shall be binding on the Company and its successors and assigns.

G. Severability.

In the event that any provision of this Plan is held illegal or invalid, the remaining provisions of this Plan shall not be affected thereby.

H. Non-alienation of Benefits.

The Company shall not in any manner be liable for or subject to the debts or liabilities of any individual by reason of the existence or operation of the Plan. No right or benefit under the Plan shall, at any time, be subject to alienation, sale, transfer, assignment, pledge, or any encumbrance of any kind. If an Eligible Employee or former Eligible Employee shall attempt to or shall alienate, sell, transfer, assign, pledge or otherwise encumber his or her rights, benefits, or amounts payable under the Plan, or any part thereof, or if by reason of his or her bankruptcy or other events happening at any time, such benefits would otherwise be received by anyone else or would not be enjoyed by him or her, the Plan Administrator in its sole discretion may terminate his or her interest in any such right or benefit and hold or pay it to, or for the benefit of, such person, his or her spouse, children, or other dependents, or any of them as the Plan Administrator may determine.

I. No Employment Contract.

Nothing contained in this Plan shall be construed to be an employment contract between any employee and the Company nor shall it prohibit the Company from being able to terminate any employee, or the employee from being able to quit, at any time, at the will of the Company or the employee, respectively, for any reason or for no reason, with or without notice. All

Company employees remain employees at-will. No rights shall be deemed to vest under the Plan.

J. Governing Law.

This Plan shall be construed and enforced in accordance with, and governed by, the laws of the State of Illinois, to the extent not preempted by applicable federal law.

K. Dispute Resolution.

1. In the event of a dispute under this Plan between the Company and an employee where Article IV is not applicable, the dispute shall be promptly submitted to binding arbitration. In the event the requirements of Article IV have been satisfied with respect to a claim for benefits under the Plan, the claim may be voluntarily submitted to arbitration by mutual agreement of the Company and the claimant. Any such arbitration hearing shall be completed within ninety (90) days of the submission to arbitration.

2. Any arbitration under the Plan shall be conducted in accordance with this Plan and, where not inconsistent, the appropriate commercial arbitration rules of the American Arbitration Association ("**AAA**"), and shall be held in the City of Chicago at such location within Chicago as shall be determined by the AAA. Each side shall name one arbitrator. The two arbitrators shall select a third arbitrator either by mutual agreement or from a list submitted by the AAA in accordance with AAA rules. The arbitrators shall permit reasonable discovery in accordance with the Federal Rules of Civil Procedure and the local Rules of the U.S. District Court for the Northern District of Illinois. The arbitrators shall make written findings of fact and conclusions of law reflecting the appropriate substantive law. The decision of the arbitrators shall be rendered within thirty (30) days of the close of the arbitration hearing and shall be final and binding. The Company and the employee shall pay their respective expenses of arbitration and legal fees, and the expenses of the arbitrators and the AAA shall be equally shared; provided, however, that if, in the opinion of the arbitrators, any claim under this Plan or any defense in objection thereto was unreasonable, the arbitrators may assess, as part of their award, all or any part of the arbitration expenses (including reasonable attorneys' fees of the other party and arbitrators' fees under the standards and law applicable under Rules 11 and 27 of the Federal Rules of Civil Procedure) against the party raising such unreasonable claim, defense or objection.

3. In any arbitration proceeding pursuant to Section V.K.2 above, this Plan shall be governed as to all matters, including validity, interpretation and enforcement, by the laws of the State of Illinois, except as superseded by the laws of the United States.

4. Judicial orders to enforce the arbitration provisions of this Plan and otherwise in aid of arbitration may be entered by the federal and state courts located in

Chicago, Illinois, at any time prior to or after a final decision by the arbitrators, and the Company and employee hereby submit to personal jurisdiction in the State of Illinois and to venue in such courts.

L. Section 409A.

To the greatest extent reasonably possible, this Plan is intended to provide benefits that are exempt from the requirements of Section 409A of the Internal Revenue Code of 1986, as amended ("**Section 409A**"), and it shall, to the greatest extent reasonably possible, be administered and interpreted in accordance with that intent. Specifically, to the greatest extent reasonably possible, (i) severance benefits of one-times Pay are intended to be exempt short-term deferrals pursuant to Treasury Regulation Section 1.409A-1(b)(4), and (ii) COBRA premium reductions and outplacement assistance are intended to be exempt separation pay plan benefits pursuant to Treasury Regulation Section 1.409A-1(b)(9)(v). Notwithstanding the foregoing or anything in the Plan to the contrary, to the extent that severance benefits payable pursuant to the Plan constitute non-qualified deferred compensation subject to Section 409A, the following provisions shall apply:

1. To the extent any payment of non-qualified deferred compensation becomes due to an Eligible Employee hereunder at the time of termination of employment (or terms of similar effect), such amount shall only be paid to the Eligible Employee to the extent such termination also constitutes such Eligible Employee's "separation from service" (as defined in Code Section 409A) with the Company.

2. If an Eligible Employee is deemed on the date of his or her termination of employment to be a "specified employee" within the meaning of that term under Section 409A(a)(2)(B), then with regard to the portion of any payment or benefit that is considered non-qualified deferred compensation for purposes of Section 409A payable on account of his or her "separation from service," such portion of the payment or benefit shall not be made or provided until the date which is the earlier of (i) the first day of the seventh month following the "separation from service" of the Eligible Employee, and (ii) the date of the Eligible Employee's death, to the extent required to comply with Section 409A. Upon the expiration of the foregoing delay period, all payments and benefits delayed pursuant to this Section V.L.2 (whether they would have otherwise been payable in a single sum or in installments in the absence of such delay) shall be paid or reimbursed to the Eligible Employee in a lump sum, and any remaining payments and benefits due under this Plan shall be paid or provided in accordance with the normal payment dates specified for them herein.

3. To the extent that reimbursements or other in-kind benefits under this Plan constitute nonqualified deferred compensation for purposes of Section 409A, (i) all such expenses or other reimbursements hereunder shall be made on or prior to the last day of the taxable year following the taxable year in which such expenses were incurred by the Eligible Employee, (ii) any right to such reimbursement or in-kind benefits shall not be subject to liquidation or exchange for another benefit, and (iii) no such reimbursement, expenses eligible for reimbursement, or in-kind

benefits provided in any taxable year shall in any way affect the expenses eligible for reimbursement, or in-kind benefits to be provided, in any other taxable year.

4. For purposes of Section 409A, an Eligible Employee's right to receive any installment payments pursuant to this Plan shall be treated as a right to receive a series of separate and distinct payments. Whenever a payment under this Plan specifies a payment period with reference to a number of days, the actual date of payment within the specified period shall be within the sole discretion of the Company.

5. In no event shall any payment under this Plan that constitutes nonqualified deferred compensation for purposes of Section 409A be subject to offset by any other amount unless otherwise permitted by Section 409A.

6. Each Eligible Employee shall bear his or her own tax burden, and, in any case, the Company shall not be liable for any adverse tax consequences imposed on an Eligible Employee pursuant to Section 409A based on amounts payable pursuant to the Plan.

VI. PARTICIPANT RIGHTS

Eligible Employees ("participants") are entitled to certain rights and protections under ERISA. ERISA provides that all plan participants will be entitled to:

A. Receive Information About Your Plan and Benefits.

Examine, without charge, at the Plan Administrator's office and at other specified locations, all documents governing the Plan, including insurance contracts, and, if applicable, a copy of the latest annual report (Form 5500 Series) filed by the Plan with the U.S. Department of Labor and available at the Public Disclosure Room of the Employee Benefits Security Administration.

Obtain, upon written request to the Plan Administrator, copies of all documents governing the operation of the Plan, including insurance contracts, and copies of the latest annual report (Form 5500 Series), if applicable, and updated summary plan description. The Plan Administrator may make a reasonable charge for the copies.

Receive a summary of the Plan's annual financial report. The Plan Administrator is required by law to furnish each participant with a copy of this summary annual report.

B. Prudent Actions by Plan Fiduciaries.

In addition to creating rights for plan participants, ERISA imposes duties upon the people who are responsible for the operation of the employee benefit plan. The people who operate your plan, called "fiduciaries" of the Plan, have a duty to do so prudently and in the interest of you and other plan participants and beneficiaries. No one, including your employer or any other person, may fire you or otherwise discriminate against you in any way to prevent you from obtaining a welfare benefit or exercising your rights under ERISA.

C.Enforce Your Rights.

If your claim for a welfare benefit is denied or ignored, in whole or in part, you have a right to know why this was done, to obtain copies of documents relating to the decision without charge, and to appeal any denial, all within certain time schedules.

Under ERISA, there are steps you can take to enforce the above rights. For instance, if you request materials from the Plan and do not receive them within 30 days, you may file suit in a federal court. In such a case, the court may require the Plan Administrator to provide the materials and pay you up to $110 a day until you receive the materials, unless the materials were not sent because of reasons beyond the control of the Plan Administrator. If you have a claim for benefits which is denied or ignored, in whole or in part, you may file suit in a state or Federal Court (after exhausting the Plan's claims and appeals procedures, as set forth in Article IV). In addition, if you disagree with the Plan's decision or lack thereof concerning the qualified status of a medical child support order, you may file suit in Federal Court. If you are discriminated against for asserting your rights, you may seek assistance from the U.S. Department of Labor, or you may file a suit in Federal Court. The court will decide who should pay court costs and legal fees. If you are successful, the court may order the party you have sued to pay these costs and fees. If you lose, the court may order you to pay these costs and fees, for example, if it finds your claim is frivolous.

D.Assistance With Your Questions.

If you have any question about your Plan, you should contact the Plan Administrator. If you have any questions about this statement or about your rights under ERISA, or if you need assistance in obtaining documents from the Plan Administrator, you should contact the nearest office of the Employee Benefits Security Administration, U.S. Department of Labor, listed in your telephone directory or the Division of Technical Assistance and Inquiries, Employee Benefits Security Administration, U.S. Department of Labor, 200 Constitution Avenue NW, Washington, DC 20210. You may also obtain certain publications about your rights and responsibilities under ERISA by calling the publication hotline of the Employee Benefits Security Administration.

* * * * * * * * * *

IMPORTANT PLAN INFORMATION

Plan Name
Career Education Corporation Executive Severance Plan

Plan Number
507

Plan Year
The Plan Year is the calendar year. The end of the year for purposes of maintaining the Plan's fiscal records is December 31.

Plan Sponsor
Career Education Corporation
847-781-3600
Employer Identification Number (EIN): 36-3932190

Plan Administrator
Career Education Corporation Employee Benefits Committee
c/o Career Education Corporation
231 N. Martingale Road
Schaumburg, Illinois 60173
847-781-3600

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Section 3: EX-31.1 (EX-31.1)

EXHIBIT 31.1

CERTIFICATION

I, Todd S. Nelson, President and Chief Executive Officer of Career Education Corporation, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of Career Education Corporation;

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

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

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

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

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

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

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

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

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

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

Date: November 4, 2015

/s/ Todd S. Nelson
Todd S. Nelson
President and Chief Executive Officer

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Section 4: EX-31.2 (EX-31.2)

EXHIBIT 31.2

CERTIFICATION

I, David Rawden, Interim Chief Financial Officer of Career Education Corporation, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of Career Education Corporation;

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

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

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

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

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

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

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

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

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

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

Date: November 4, 2015

/s/ David Rawden
David Rawden
Interim Chief Financial Officer

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Section 5: EX-32.1 (EX-32.1)

EXHIBIT 32.1

CERTIFICATION OF CHIEF EXECUTIVE OFFICER
PURSUANT TO 18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the Quarterly Report on Form 10-Q of Career Education Corporation (the "Company") for the quarter ended September 30, 2015, as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Todd S. Nelson, President and Chief Executive Officer of the Company, certify, pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

(i) the Report fully complies with the requirements of Section 13(a) or Section 15(d) of the Securities Exchange Act of 1934, as amended; and

(ii) the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

/s/ Todd S. Nelson

Todd S. Nelson
President and Chief Executive Officer

November 4, 2015

This certification accompanies this Report pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 and shall not be deemed filed by the Company for purposes of Section 18 of the Securities Exchange Act of 1934, as amended.

A signed original of this written statement required by Section 906 has been provided to the Company and will be retained by the Company and furnished to the Securities and Exchange Commission or its staff upon request.

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Section 6: EX-32.2 (EX-32.2)

EXHIBIT 32.2

CERTIFICATION OF CHIEF FINANCIAL OFFICER
PURSUANT TO 18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the Quarterly Report on Form 10-Q of Career Education Corporation (the "Company") for the quarter ended September 30, 2015, as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, David Rawden, Interim Chief Financial Officer of the Company, certify, pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

(i) the Report fully complies with the requirements of Section 13(a) or Section 15(d) of the Securities Exchange Act of 1934, as amended; and

(ii) the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

/s/ David Rawden

David Rawden
Interim Chief Financial Officer

November 4, 2015

This certification accompanies this Report pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 and shall not be deemed filed by the Company for purposes of Section 18 of the Securities Exchange Act of 1934, as amended.

A signed original of this written statement required by Section 906 has been provided to the Company and will be retained by the Company and furnished to the Securities and Exchange Commission or its staff upon request.

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August 27, 2015 ID Code 00015712

VIA E-MAIL ONLY

Mr. Todd Nelson
President and Chief Executive Officer
Career Education Corporation
231 North Martingale Road
Schaumburg, IL 60173-2007

Dear Mr. Nelson:

The Council has learned that Career Education Corporation (CECO) has been served with a Civil Investigative Demand by the Federal Trade Commission. The request was made to determine "whether unnamed persons, partnerships, corporations, or others have engaged or are engaging in deceptive or unfair acts or practices in or affecting commerce in the advertising, marketing or sale of secondary or postsecondary educational products or services, or educational accreditation products or services."

The Council is required to review any adverse information regarding an institution once such information becomes known. Please provide this office with a written response to this information, including copies of appropriate materials to support your statements. The Council will expect your response on or before Friday, **November 13, 2015.**

Your immediate attention to this matter is appreciated. If you have any questions, please contact me at (202) 336-6781 or abieda@acics.org.

Sincerely,

Anthony S. Bieda
Vice President of External Affairs

Cc: Jill A. DeAtley, Vice President of Regulatory Operations, Career Education Corporation

CAREER EDUCATION CORPORATION

July 6, 2015

Via email to abieda@acics.org

Mr. Anthony S. Bieda
Vice President of External Affairs
Accrediting Council for Independent Colleges and Schools
750 First Street, NE, Suite 980
Washington, DC 20002-4241

Re: Career Education Corporation

Dear Mr. Bieda:

I have received your June 26, 2015, letter requesting an update on selected matters currently pending regarding CEC. You specifically requested an update on the multistate investigation consolidated and coordinated by the Attorney General of Connecticut, as well the state attorney general investigations currently open in Colorado, Florida, Massachusetts, and Minnesota.

These matters remain open inquiries, and there is little to update ACICS on beyond noting that we continue to cooperate and respond to requests for information as they are received. In CEC's most recent public filing with the SEC (the 10Q for the quarter ended March 31, 2015), we noted the following (and there is nothing new to report to the agency as of this date):

> *The Attorney General of Connecticut is serving as the point of contact for inquiries received from the attorneys general of the following 17 states: Arkansas, Arizona, Connecticut, Idaho, Iowa, Kentucky, Missouri, Nebraska, North Carolina, Oregon, Pennsylvania, Washington (January 24, 2014); Illinois (December 9, 2011); Tennessee (February 7, 2014), Hawaii (May 28, 2014), New Mexico (May 2014), and Maryland (March 16, 2015) (these 17 attorneys general are collectively referred to as the "Multi-State AGs"). In addition, the Company has received inquiries from the attorneys general of Florida (November 5, 2010), Massachusetts (September 27, 2012), Colorado (August 27, 2013) and Minnesota (September 18, 2014). The inquiries are civil investigative demands or subpoenas which relate to the investigation by the attorneys general of whether the Company and its schools have complied with certain state consumer protection laws, and generally focus on the Company's practices relating to the recruitment of students, graduate placement statistics, graduate certification and licensing results and student lending activities, among other matters. Depending on the state, the documents and information sought by the attorneys general in connection with their investigations cover time periods as early as 2006 to the present. The Company intends to cooperate with the states involved with a view towards resolving these inquiries as promptly as possible. In this regard, over the past several months the Company has participated in several meetings with representatives of the Multi-State AGs about the Company's business and to engage in a dialogue towards a resolution of these inquiries.*

If I may answer any questions, please contact me at 847-585-2627 or via email at jdeatley@careered.com.

Sincerely,

(b)(6) [redacted]
Vice President of Regulatory Operations

c: Greg Jansen, Vice President & Deputy General Counsel

CAREER EDUCATION CORPORATION

CONSOLIDATED FINANCIAL STATEMENTS

For the Year Ended December 31, 2014

Confidential Non-Public Commercial and Financial Information

CAREER EDUCATION CORPORATION

CONSOLIDATED FINANCIAL STATEMENTS
For the Year Ended December 31, 2014

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EY Chicago Office
155 N Wacker Drive
Chicago, IL 60606

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ey.com

Report of Independent Auditors

The Board of Directors and Management of Career Education Corporation:

Report on the Financial Statements

We have audited the accompanying consolidated financial statements of Career Education Corporation and subsidiaries, which comprise the consolidated balance sheet as of December 31, 2014, and the related consolidated statements of loss, comprehensive loss, changes in stockholders' equity and cash flows for the year ended December 31, 2014, and the related notes to the consolidated financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in conformity with U.S. generally accepted accounting principles; this includes the design, implementation and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free of material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States) and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

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Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the consolidated financial position of Career Education Corporation and subsidiaries at December 31, 2014, and the consolidated results of their operations and their cash flows for the year ended December 31, 2014, in conformity with U.S. generally accepted accounting principles.

Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The accompanying information in schedules II, III, IV, V, and VI is presented for purposes of additional analysis and is not a required part of the consolidated financial statements. The information in schedules II, III, IV, V and VI is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information in schedules II, III, IV, V and VI has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States. In our opinion, the information is fairly stated, in all material respects, in relation to the financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated March 3, 2015 on our consideration of Career Education Corporation and subsidiaries' internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Career Education Corporation and subsidiaries' internal control over financial reporting and compliance.

Ernst + Young LLP

March 3, 2015
Except for Note 12 and Note 19, as to which the date is June 23, 2015

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Building a better working world

Report of Independent Auditors on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*

The Board of Directors and Management of Career Education Corporation:

We have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States) and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of Career Education Corporation and subsidiaries which comprise the balance sheet as of December 31, 2014, and the related statements of loss and comprehensive loss, stockholders' equity and cash flows for the year ended December 31, 2014, and the related notes to the financial statements. We have issued our report thereon dated March 3, 2015, except for Note 12 and Note 19, as to which the date is June 23, 2015, and expressed an unqualified opinion thereon. We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the effectiveness of Career Education Corporation and subsidiaries' internal control over financial reporting as of December 31, 2014, based on criteria established in "Internal Control – Integrated Framework" issued by the Committee of Sponsoring Organizations of the Treadway Commission ("2013 framework") and our report dated March 3, 2015 expressed an unqualified opinion thereon.

Internal Control Over Financial Reporting

A *deficiency in internal control* over financial reporting (internal control) exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's annual or interim financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

In planning and performing our audits, we did not identify any deficiencies in internal control that we consider to be material weaknesses, as defined above.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Career Education Corporation and subsidiaries' financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Building a better
working world

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Ernst + Young LLP

March 3, 2015

CAREER EDUCATION CORPORATION AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEET
As of December 31, 2014
(In thousands, except share amounts)

CURRENT ASSETS:	
Cash and cash equivalents, unrestricted	$ 93,832
Restricted cash	22,938
Short-term investments	122,858
Total cash and cash equivalents, restricted cash and short-term investments	239,628
Student receivables, net of allowance for doubtful accounts of $12,398 as of December 31, 2014	24,564
Receivables, other, net	18,925
Prepaid expenses	14,679
Inventories	3,305
Other current assets	2,384
Assets of discontinued operations	77,319
Total current assets	380,804
NON-CURRENT ASSETS:	
Property and equipment, net	73,083
Goodwill	87,356
Intangible assets, net	9,819
Student receivables, net of allowance for doubtful accounts of $2,119 as of December 31, 2014	2,926
Other assets	18,571
Assets of discontinued operations	975
TOTAL ASSETS	$ 573,534
LIABILITIES AND STOCKHOLDERS' EQUITY	
CURRENT LIABILITIES:	
Short-term borrowings	$ 10,000
Accounts payable	21,968
Accrued expenses:	
Payroll and related benefits	29,545
Advertising and production costs	13,162
Income taxes	1,633
Other	21,440
Deferred tuition revenue	37,572
Liabilities of discontinued operations	65,863
Total current liabilities	201,183
NON-CURRENT LIABILITIES:	
Deferred rent obligations	48,381
Other liabilities	19,178
Liabilities of discontinued operations	22,859
Total non-current liabilities	90,418
STOCKHOLDERS' EQUITY:	
Preferred stock, $0.01 par value; 1,000,000 shares authorized; none issued or outstanding	—
Common stock, $0.01 par value; 300,000,000 shares authorized; 82,336,689 shares issued and 67,521,038 shares outstanding as of December 31, 2014	823
Additional paid-in capital	606,531
Accumulated other comprehensive loss	(853)
Retained deficit	(109,403)
Cost of 14,815,651 shares in treasury as of December 31, 2014	(215,165)
Total stockholders' equity	281,933
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	$ 573,534

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

CAREER EDUCATION CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENT OF LOSS AND COMPREHENSIVE LOSS
For the Year Ended December 31, 2014
(In thousands, except per share amounts)

REVENUE:	
Tuition and registration fees	$ 736,883
Other	4,475
Total revenue	741,358
OPERATING EXPENSES:	
Educational services and facilities	240,796
General and administrative	520,361
Depreciation and amortization	36,019
Asset impairment	16,898
Total operating expenses	814,074
Operating loss	(72,716)
OTHER (EXPENSE) INCOME:	
Interest income	851
Interest expense	(491)
Miscellaneous expense	(148)
Total other income	212
PRETAX LOSS	(72,504)
Provision for income taxes	3,736
LOSS FROM CONTINUING OPERATIONS	(76,240)
LOSS FROM DISCONTINUED OPERATIONS, net of tax	(101,923)
NET LOSS	(178,163)
OTHER COMPREHENSIVE LOSS, net of tax:	
Unrealized losses on investments	(350)
Total other comprehensive loss	(350)
COMPREHENSIVE LOSS	$(178,513)
NET LOSS PER SHARE – BASIC and DILUTED:	
Loss from continuing operations	$ (1.13)
Loss from discontinued operations	(1.52)
Net loss per share	$ (2.65)
WEIGHTED AVERAGE SHARES OUTSTANDING:	
Basic and Diluted	67,173

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

CAREER EDUCATION CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENT OF STOCKHOLDERS' EQUITY
(In thousands)

	Common Stock		Treasury Stock		Additional	Accumulated Other		
	Issued Shares	$0.01 Par Value	Purchased Shares	Cost	Paid-in Capital	Comprehensive Loss	Retained Deficit	Total
BALANCE, December 31, 2013	81,890	$819	(14,719)	$(214,494)	$600,904	$(503)	$ 68,658	$ 455,384
Net loss	—	—	—	—	—	—	(178,163)	(178,163)
Unrealized loss on investments	—	—	—	—	—	(350)	—	(350)
Total comprehensive loss								(178,513)
Share-based compensation expense:								
Stock option plan	—	—	—	—	1,372	—	—	1,372
Restricted stock award plan	—	—	—	—	2,865	—	—	2,865
Employee stock purchase plan	—	—	—	—	40	—	—	40
Common stock issued under:								
Stock option plan	225	2	—	—	610	—	—	612
Restricted stock award plan	95	1	(97)	(671)	(1)	—	—	(671)
Employee stock purchase plan	127	1	—	—	741	—	—	742
Cumulative adjustment for change from cost method investment to equity method investment	—	—	—	—	—	—	102	102
BALANCE, December 31, 2014	82,337	$823	(14,816)	$(215,165)	$606,531	$(853)	$(109,403)	$ 281,933

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

CAREER EDUCATION CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENT OF CASH FLOWS
For the Year Ended December 31, 2014
(In thousands)

CASH FLOWS FROM OPERATING ACTIVITIES:	
Net Loss	$(178,163)
Adjustments to reconcile net loss to net cash used in operating activities:	
Asset impairment	36,209
Depreciation and amortization expense	55,455
Bad debt expense	14,841
Compensation expense related to share-based awards	4,277
Loss on sale of businesses, net	311
Loss on disposition of property and equipment	32
Deferred income taxes	14,250
Changes in operating assets and liabilities:	
Student receivables, gross	13,281
Allowance for doubtful accounts	(23,812)
Other receivables, net	7,854
Inventories, prepaid expenses, and other current assets	(1,877)
Deposits and other non-current assets	(1,166)
Accounts payable	(830)
Accrued expenses and deferred rent obligations	(52,972)
Deferred tuition revenue	(6,314)
Net cash used in operating activities	(118,624)
CASH FLOWS FROM INVESTING ACTIVITIES:	
Purchases of available-for-sale investments	(157,425)
Sales of available-for-sale investments	64,920
Purchases of property and equipment	(13,156)
Payments of cash upon sale of asset	(387)
Purchase of equity method investment	(1,575)
Other	—
Net cash used in investing activities	(107,623)
CASH FLOWS FROM FINANCING ACTIVITIES:	
Issuance of common stock	1,354
Borrowings from credit facility	10,000
Change in restricted cash	(10,374)
Net cash provided by financing activities	980
EFFECT OF FOREIGN CURRENCY EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS:	156
NET DECREASE IN CASH AND CASH EQUIVALENTS	(225,111)
DISCONTINUED OPERATIONS CASH ACTIVITY INCLUDED ABOVE:	
Add: Cash balance of discontinued operations, beginning of the year	475
Less: Cash balance of discontinued operations, end of the year	—
CASH AND CASH EQUIVALENTS, beginning of the year	318,468
CASH AND CASH EQUIVALENTS, end of the year	$ 93,832
Supplemental Cash Flow Information:	
Interest paid	$ 54
Income taxes paid	$ 17,528

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

1. DESCRIPTION OF THE COMPANY

The colleges, institutions and universities that are part of the Career Education Corporation ("CEC") family offer high-quality education to a diverse student population in a variety of career-oriented disciplines through online, on-ground and hybrid learning program offerings. In addition to its online offerings, Career Education serves students from campuses throughout the United States offering programs that lead to doctoral, master's, bachelor's and associate degrees, as well as to diplomas and certificates.

Our institutions include both universities that provide degree programs through the master or doctoral level and colleges that provide programs through the associate and bachelor level. The University group includes American InterContinental University ("AIU") and Colorado Technical University ("CTU") – predominantly serving students online with career-focused degree programs that meet the educational demands of today's busy adults. The Career Colleges group offers career-centered education primarily through ground-based campuses and includes Briarcliffe College, Brooks Institute, Harrington College of Design, Missouri College and Sanford-Brown Institutes and Colleges ("SBI" and "SBC," respectively). Through our colleges, institutions and universities, we are committed to providing high-quality education, enabling students to graduate and pursue rewarding career opportunities.

A detailed listing of individual campus locations and web links to Career Education's colleges, institutions and universities can be found at *www.careered.com*.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

a. Principles of Consolidation and Basis of Presentation

These consolidated financial statements include the accounts of CEC and our wholly-owned subsidiaries (collectively "CEC"). All inter-company transactions and balances have been eliminated.

We organize our business across four reporting segments: CTU, AIU (comprises University Group); Career Colleges; and Transitional Group. Campuses included in our Transitional Group segment are currently being taught out and no longer enroll new students. These campuses employ a gradual teach-out process, enabling them to continue to operate while current students complete their course of study.

b. Reclassifications

During 2014, we announced the teach-out of three additional Sanford-Brown campuses: Chicago, Las Vegas and Orlando. These campuses are now included in the Transitional Group segment. During the current year, we also completed the teach-out of 20 Transitional Group campuses and one CTU campus as well as sold two campuses (one previously reported in the Career Colleges segment and one previously reported in the Transitional Group segment). As a result, the consolidated financial statements reflect the sold and fully taught out campuses as components of discontinued operations.

Additionally, during the fourth quarter of 2014, our Board of Directors approved a plan to sell our 16 Culinary Arts campuses ("LCB"). Our decision to pursue the divestiture of LCB was the result of an ongoing portfolio review undertaken to evaluate the strategic direction of the Company. As a result of the decision to sell LCB, the assets and liabilities of the entities to be sold are classified as held for sale within discontinued operations as of December 31, 2014.

c. Management's Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles in the U.S. ("GAAP") requires management to make certain estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent liabilities as of the date of the financial statements and reported amounts of revenues and expenses during the reported period. Significant estimates, among others, include the allowance for doubtful accounts, the allocation of purchase price to the fair value of net assets and liabilities acquired in connection with business combinations, the assumptions surrounding sublease income utilized in determining the fair value of remaining lease obligations, assumptions utilized in calculating income tax related matters including our deferred tax balances and any respective valuation allowance, fair values used in asset impairment evaluations including goodwill, intangible assets, long-lived assets, and held for sale assets and the assumptions used in determining the fair value of accruals for severance and related costs. Although these estimates are based upon management's best knowledge of current events and actions that we may undertake in the future, actual results could differ from these estimates.

d. Concentration of Credit Risk

A substantial portion of credit extended to students is repaid through the students' participation in various federal financial aid programs authorized by Title IV of the Higher Education Act of 1965, as amended ("HEA"), which we refer to as "Title IV Programs." For the year ended December 31, 2014, approximately 78% of our institutions' cash receipts from tuition payments came from Title IV Program funding.

Transfers of funds received from Title IV Programs are made in accordance with the U.S. Department of Education's ("ED") requirements. Changes in ED funding of Title IV Programs could have a material impact on our ability to attract students and the realizability of our student receivables.

e. Allowance for Doubtful Accounts

We extend unsecured credit to a portion of the students who are enrolled at our institutions for tuition and certain other educational costs. Based upon past experience and judgment, we establish an allowance for doubtful accounts with respect to student receivables which we estimate will ultimately not be collectible. As such, our results from operations only reflect the amount of revenue that is estimated to be reasonably collectible. Our standard allowance estimation methodology considers a number of factors that, based on our collections experience, we believe have an impact on our credit risk and the realizability of our student receivables. Among these factors are a student's status (in-school or out-of-school), anticipated funding source (third party, internal short-term and extended payment plans), whether or not an out-of-school student has completed his or her program of study, and our overall collections history.

We monitor our collections and write-off experience to assess whether or not adjustments to our allowance percentage estimates are necessary. Changes in trends in any of the factors that we believe impact the realizability of our student receivables, as noted above, or modifications to our credit standards, collection practices, and other related policies may impact our estimate of our allowance for doubtful accounts and our results from operations. Additionally, we monitor certain internal and external factors, including changes in our academic programs, as well as changes in the current economic, legislative and regulatory environments.

f. Fair Value of Financial Instruments

The carrying amounts for cash and cash equivalents, short-term investments, and the current portion of accounts receivables and accounts payable reported in our consolidated balance sheet approximate fair value because of the nature of these financial instruments, as they generally have short maturity periods.

The fair value measure of accounting for financial instruments establishes a three-tier fair value hierarchy, which prioritizes the inputs used in measuring fair value. These tiers include: Level 1, defined as observable inputs such as quoted prices in active markets; Level 2, defined as inputs other than quoted prices in active markets that are either directly or indirectly observable; and Level 3, defined as unobservable inputs in which little or no market data exists, therefore requiring an entity to develop its own assumptions.

Our investment in auction rate securities ("ARS") is presented within other non-current assets on the consolidated balance sheet. As of December 31, 2014, we have determined this investment is at risk for impairment due to the nature of the liquidity of the market over the past several years. We believe this impairment is temporary, as we do not intend to sell the investment and it is unlikely we will be required to sell the investment before recovery of its amortized cost basis.

Our student receivables with repayment periods greater than one year are presented within non-current assets on the consolidated balance sheet. It is not practicable to estimate the fair value of these financial instruments, since observable market data is not readily available, and no reasonable estimation methodology exists.

g. Revenue Recognition

Our revenue, which is derived primarily from academic programs taught to students who attend our institutions, is generally segregated into two categories: (1) tuition and registration fees and (2) other. Tuition and registration fees represent costs to our students for educational services provided by our institutions. For certain institutions, we bill students a one-time registration fee at the beginning of their program and recognize the registration fee revenue on a straight-line basis over that program period, which includes any applicable externship period. Our institutions charge tuition at varying amounts, depending on the institution, the type of program and specific curriculum. A majority of our institutions bill students a single charge that covers tuition and required program materials, such as textbooks and supplies, which we treat as a single accounting unit. Generally, we bill student tuition fees, including those treated as a single accounting unit, at the beginning of each academic period, and recognize the tuition fees as revenue on a straight-line basis over either the academic term or program period, which includes any applicable externship period. The tuition fees earnings method is determined by the type of program a student is enrolled in. Typically, institutions that offer our culinary arts and our health programs earn tuition fees over the entire program while the remainder of our institutions earns tuition fees over each academic term. The portion of tuition and registration fee payments received from students but not yet earned is recorded as deferred tuition revenue and reported as a current liability on our consolidated balance sheet, as we expect to earn these revenues within the next year. Deferred tuition revenue is stated net of outstanding student receivables on a student-by-student basis as of the end of the reporting period.

If a student withdraws from one of our schools prior to the completion of the academic term or program period, we refund the portion of tuition and registration fees already paid that, pursuant to our refund policy and applicable federal and state law and accrediting agency standards, we are not entitled to retain. Generally, the amount to be refunded to a student is calculated based upon the period of time the student has attended classes and the amount of tuition and registration fees paid by the student as of their withdrawal date. These refunds typically reduce deferred tuition revenue and cash on our consolidated balance sheet as we generally do not recognize tuition revenue in our consolidated statement of loss and comprehensive loss until the related refund provisions have lapsed. Based on the application of our refund policies, we may be entitled to incremental revenue on the day the student withdraws from one of our schools. Prior to fiscal 2014, we recorded this incremental revenue, any related student receivable and any estimate of the amount we did not expect to collect as bad debt expense during the quarter a student withdrew based on our analysis of the collectability on an aggregate student portfolio basis, for which we had significant historical experience. Beginning in fiscal 2014, we record revenue for students who withdraw when payment is received (i.e., on a cash basis) because collectability on a student by student basis is difficult to ascertain. This change had the effect of reducing net revenues by $9.4 million and bad debt expense by $7.5 million, which resulted in an increase to the loss from continuing operations of $1.9 million for the year ended December 31, 2014. Additionally, this change reduced net student receivables from continuing operations by $1.9 million.

Our institutions' academic year is generally at least 30 weeks in length but varies both by institution and program of study and is divided by academic terms or payment periods. Academic terms or payment periods are determined by regulatory requirements mandated by the federal government and/or appropriate accrediting body, which also vary by institution and program. Academic terms are determined by start dates, which also vary by institution and program. Our students finance costs through a variety of funding sources, including, among others, federal loan and grant programs, institution payment plans, private loans and grants, private and institutional scholarships and cash payments.

Other revenue, which consists primarily of bookstore sales for institutions not using single-charge billing and contract-training revenue, is billed and recognized as goods are delivered or services are performed.

h. Cash and Cash Equivalents

Cash equivalents include short-term investments with a term to maturity of less than 90 days at the date of purchase. Loans which are disbursed under our current credit agreement are secured by 100% cash collateral. The Company has funds which are restricted in use under our credit agreement and additional restricted funds which provide collateral for letters of credit. See Note 11 "Credit Agreement" for further details of our current credit agreement.

Restricted cash balances as of December 31, 2014 total $22.9 million. Restricted cash balances were comprised of $12.9 million of certificates of deposit to provide securitization of our letters of credit and $10.0 million of restricted cash to provide securitization of borrowings under our credit agreement.

Students at our institutions may receive grants, loans and work-study opportunities to fund their education under Title IV Programs. In certain instances, students may request that we retain a portion of their Title IV funds provided to them in excess of tuition billings. Students may authorize us to apply these funds to historical balances or future charges and/or distribute them directly to the student in certain cases. As of December 31, 2014, we held $12.2 million of these funds on behalf of students within our cash, cash equivalents, restricted cash and short term investments on our consolidated balance sheet.

i. Student Receivables

Student receivables represent funds owed to us in exchange for the education services that we provided to a student. Student receivables are reported net of an allowance for doubtful accounts and net of deferred tuition revenue, as determined on a student-by-student basis as of the end of the reporting period. Student receivables which are due to be paid in less than one year are recorded as current assets within our consolidated balance sheet. Student receivables which are due to be paid at dates ranging from one to five years from the balance sheet date are reported as non-current assets within our consolidated balance sheet.

Generally, a student receivable balance is written off once it reaches greater than 90 days past due. Although we analyze past due receivables, it is not practical to provide an aging of our non-current student receivable balances as a result of the methodology utilized in determining our earned student receivable balances. Student receivables are recognized on our consolidated balance sheet as they are deemed earned over the course of a student's program and/or term, and therefore cash collections are not applied against specifically dated transactions.

j. Discontinued Operations

Discontinued operations are accounted for in accordance with the provisions of Financial Accounting Standards Board ("FASB") Accounting Standards Codification ("ASC") Section 360-10-35 *Property, Plant, and Equipment*. In accordance with FASB ASC Section 360-10-35, the net assets of discontinued operations are recorded on our consolidated balance sheet at estimated fair value. The results of operations of discontinued operations are segregated from continuing operations and reported separately as discontinued operations in our consolidated statement of loss and comprehensive loss. See Note 4 “Discontinued Operations” for further discussion.

k. Investments

Our investments, which primarily consist of non-governmental debt securities, treasury and federal agencies, and municipal bonds are classified as “available-for-sale” and recorded at fair value. Any unrealized holding gains or temporary unrealized holding losses, net of income tax effects, are reported as a component of accumulated other comprehensive loss within stockholders’ equity. Realized gains and losses are computed on the basis of specific identification and are included in miscellaneous (expense) income in our consolidated statement of loss and comprehensive loss. Our investment in a municipal auction rate security has a stated term to maturity of greater than one year. As such, we classify this investment as non-current on our consolidated balance sheet within other assets.

We use the equity method to account for our investment in equity securities if our investment gives us the ability to exercise significant influence over operating and financial policies of the investee. We include our proportionate share of earnings and/or losses of our equity method investee in other (expense) income within our consolidated statement of loss and comprehensive loss. The carrying value of our equity investment is reported within other non-current assets on our consolidated balance sheet.

l. Inventories

Inventories, consisting principally of program materials, textbooks, food and supplies, are stated at the lower of cost, determined on a first-in, first-out basis, or market. The cost of inventory is reflected as a component of educational services and facilities expense as the items are used or sold.

m. Property and Equipment

Property and equipment are stated at cost less accumulated depreciation. Depreciation and amortization are recognized using the straight-line method over the estimated useful lives of the related assets for financial reporting purposes and an accelerated method for income tax reporting purposes. Leasehold improvements are amortized on a straight-line basis over the shorter of the life of the lease or the useful life. Maintenance, repairs, minor renewals and betterments are expensed as incurred, and major improvements, which extend the useful life of the asset, are capitalized.

n. Goodwill and Intangible Assets

Goodwill represents the excess of cost over fair market value of identifiable net assets acquired through business purchases. In accordance with FASB ASC Topic 350 – *Intangibles-Goodwill and Other,* we review goodwill for impairment on at least an annual basis by applying a fair-value-based test. In evaluating the recoverability of the carrying value of goodwill, we must make assumptions regarding the fair value of our reporting units, as defined under FASB ASC Topic 350. Goodwill is evaluated using a two-step impairment test at the reporting unit level. A reporting unit can be a strategic business unit or business within a strategic business unit. The first step compares the book value of a reporting unit, including goodwill, with its fair value, as determined by a combination of income and market approach valuation methodologies. If the book value of a reporting unit exceeds its fair value, we complete the second step to determine the amount of goodwill impairment loss that we should record. In the second step, we determine an implied fair value of the reporting unit’s goodwill by allocating the fair value of the reporting unit to all of the assets and liabilities other than goodwill (including any unrecognized intangible assets). The amount of impairment loss is equal to the excess of the book value of the goodwill over the implied fair value of goodwill.

In performing our annual review of goodwill balances for impairment, we estimate the fair value of each of our reporting units based on projected future operating results and cash flows, market assumptions and/or comparative market multiple methods. Determining fair value requires significant estimates and assumptions based on an evaluation of a number of factors, such as marketplace participants, relative market share, new student interest, student retention, future expansion or contraction expectations, amount and timing of future cash flows and the discount rate applied to the cash flows. Projected future operating results and cash flows used for valuation purposes do reflect improvements relative to recent historical periods with respect to, among other things, revenue growth and operating margins. Although we believe our projected future operating results and cash flows and related estimates regarding fair values are based on reasonable assumptions, historically projected operating results and cash flows have not always been achieved. The failure of one of our reporting units to achieve projected operating results and cash flows in the near term or long term may reduce the estimated fair value of the reporting unit below its carrying value and result in the recognition of a goodwill impairment charge. Significant management judgment is necessary to evaluate the impact of operating and macroeconomic changes and to estimate future cash flows. Assumptions used in our impairment evaluations, such as forecasted growth rates and our cost of capital, are based on the best available market information and are consistent with our internal forecasts and operating plans. In addition to cash flow estimates, our valuations are sensitive to the rate used to discount cash flows and future growth assumptions. Intangible assets include both indefinite and definite-lived assets. Indefinite-lived assets include our trade names and accreditation rights, which are recorded at fair market value upon acquisition and subsequently reviewed on an annual basis for impairment. Accreditation rights represent the ability of our institutions to participate in Title IV Programs.

Our definite-lived intangible assets include courseware, which represents the value of acquired curriculum, including lesson plans and syllabi, used to deliver educational services. Acquired courseware balances are amortized on a straight-line basis over their useful lives, which are estimated by management based upon, among other things, the expected future utilization period and the nature of the related academic programs. Other definite-lived intangible assets represent ownership related to renewable internet domain names and are amortized on a straight-line basis over the applicable renewal periods.

See Note 9 “Goodwill and Other Intangible Assets” for further discussion.

o. Impairment of Long-Lived Assets

We review property and equipment, definite-lived intangible assets, and other long-lived assets for impairment on an annual basis or whenever adverse events or changes in circumstances indicate that the carrying amounts of such assets may not be recoverable. If such adverse events or changes in circumstances occur, we will recognize an impairment loss if the undiscounted future cash flows expected to be generated by the assets are less than the carrying value of the related assets. The impairment loss would reduce the carrying value of the assets to their estimated fair value.

See Note 7 “Property and Equipment” for further discussion.

p. Contingencies

During the ordinary course of business, we are subject to various claims and contingencies. In accordance with FASB ASC Topic 450 – *Contingencies*, when we become aware of a claim or potential claim, we assess the likelihood of any related loss or exposure. The probability of whether an asset has been impaired or a liability has been incurred, and whether the amount of loss can be reasonably estimated, is analyzed, and if the loss contingency is both probable and reasonably estimable, then we accrue for costs, including direct costs incurred, associated with the loss contingency. If no accrual is made but the loss contingency is reasonably possible, we disclose the nature of the contingency and the related estimate of possible loss or range of loss if such an estimate can be made. For all matters that are currently being reviewed, we expense legal fees, including defense costs, as they are incurred. Loss contingencies include, but are not limited to, possible losses related to legal proceedings and regulatory compliance matters, and our assessment of exposure requires subjective and judgmental assessment. Liabilities established to provide for contingencies are adjusted as further information develops, circumstances change, or contingencies are resolved. See Note 12 “Contingencies” for additional information.

q. Income Taxes

We are subject to the income tax laws of the U.S. and various state, local and foreign jurisdictions. These tax laws are complex and subject to interpretation. As a result, significant judgments and interpretations are required in determining our income tax (benefits) provisions and evaluating our uncertain tax positions.

We account for income taxes in accordance with FASB ASC Topic 740 – *Income Taxes*. Topic 740 requires the recognition of deferred income tax assets and liabilities based upon the income tax consequences of temporary differences between financial reporting and income tax reporting by applying enacted statutory income tax rates applicable to future years to differences between the financial statement carrying amounts and the income tax basis of existing assets and liabilities. Topic 740 also requires that deferred income tax assets be reduced by a valuation allowance if it is more likely than not that some portion of the deferred income tax asset will not be realized.

In assessing the need for a valuation allowance, we consider both positive and negative evidence related to the likelihood of realization of the deferred tax assets. Topic 740 provides that important factors in determining whether a deferred tax asset will be realized are whether there has been sufficient taxable income in recent years and whether sufficient taxable income is expected in future years in order to utilize the deferred tax asset. In evaluating the realizability of deferred income tax assets, we consider, among other things, historical levels of taxable income along with possible sources of future taxable income, which include: the expected timing of the reversals of existing temporary reporting differences, the existence of taxable income in prior carryback year(s), the expected impact of tax planning strategies that may be implemented to prevent the potential loss of future income tax benefits and expected future taxable income. Changes in, among other things, income tax legislation, statutory income tax rates, or future taxable income levels could materially impact our valuation of income tax assets and liabilities and could cause our income tax provision to vary significantly among financial reporting periods. If, based on the weight of available evidence, it is more likely than not the deferred tax assets will not be realized, we record a valuation allowance. The weight given to the positive and negative evidence is commensurate with the extent to which the evidence may be objectively verified. A high degree of judgment is required to determine if, and the extent to which, valuation allowances should be recorded against deferred tax assets. A significant piece of objective negative evidence evaluated is the cumulative loss incurred over the three-year period ended December 31, 2014. Such objective evidence limits the ability to consider other subjective evidence such as our projections for future growth as projections for future growth are less objectively verifiable.

Topic 740 further clarifies the accounting for uncertainty in income taxes recognized in an entity’s financial statements and prescribes a recognition threshold and measurement attribute for the financial statement recognition and measurement of a tax position taken or expected to be taken in an income tax return. Topic 740 also provides guidance on derecognition, classification, interest and penalties, accounting in interim periods, disclosure and transition.

r. Deferred Rent Obligations

Certain of the real estate operating lease agreements to which we are party contain rent escalation clauses or lease incentives, such as rent abatements or tenant improvement allowances. Rent escalation clauses and lease incentives are taken into account in determining total rent expense to be recognized during the term of the lease, which begins on the date that we take control of the leased space. Renewal options are considered when evaluating the overall term of the lease. In accordance with FASB ASC Topic 840 – *Leases,* differences between periodic rent expense and periodic cash rental payments, caused primarily by the recognition of rent expense on a straight-line basis and tenant improvement allowances due or received from lessors, are recorded as deferred rent obligations on our consolidated balance sheet.

We record tenant improvement allowances as a deferred rent obligation on our consolidated balance sheet and as a cash inflow from operating activities in our consolidated statement of cash flows. We record capital expenditures funded by tenant improvement allowances received as a leasehold improvement on our consolidated balance sheet and as an investing activity within our consolidated statement of cash flows.

s. Share-Based Compensation

FASB ASC Topic 718 – *Compensation-Stock Compensation* requires that all share-based payments to employees and non-employee directors, including grants of stock options, shares or units of restricted stock, and the compensatory elements of employee stock purchase plans, be recognized in the financial statements based on the estimated fair value of the equity or liability instruments issued.

See Note 14 "Share-Based Compensation" for further discussion of our share-based compensation plans, the nature of share-based awards issued under the plans and our accounting for share-based awards.

t. Educational Services and Facilities Expense

Educational services and facilities expense includes costs directly attributable to the educational activities of our institutions, including: (1) salaries and benefits of faculty, academic administrators, and student support personnel, (2) costs of educational supplies and facilities, including rents on institution leases, certain costs of establishing and maintaining computer laboratories, costs of student housing, and owned and leased facility costs, and (3) costs of other goods and services provided by our institutions, including costs of textbooks, laptop computers, restaurant services and contract training. Costs of such other goods and services for continuing operations, included in educational services and facilities expense in our consolidated statement of loss and comprehensive loss, were approximately $20.5 million for the year ended December 31, 2014.

u. Advertising Costs

Advertising costs are expensed as incurred. Advertising costs for continuing operations, which are included in general and administrative expenses in our consolidated statement of loss and comprehensive loss, were $212.4 million for the year ended December 31, 2014.

3. RECENT ACCOUNTING PRONOUNCEMENTS

In January 2015, the FASB issued Accounting Standards Update ("ASU") No. 2015-01, *Income Statement – Extraordinary and Unusual Items (Subtopic 225-20): Simplifying Income Statement Presentation by Eliminating the Concept of Extraordinary Items.* This ASU eliminates from GAAP the concept of extraordinary items. Subtopic 225-20 previously required that an entity separately classify, present, and disclose extraordinary events and transactions from the results of ordinary operations and show the items separately. The amendments in this ASU are effective for annual periods and interim periods within those annual periods, beginning after December 15, 2015; early adoption is permitted, for both public and all other entities. We are currently evaluating this guidance and do not believe the adoption will significantly impact the presentation of our financial condition, results of operations and disclosures.

In August 2014, the FASB issued ASU No. 2014-15, *Presentation of Financial Statements – Going Concern (Subtopic 205-40): Disclosure of Uncertainties about an Entity's Ability to Continue as a Going Concern.* This ASU provides guidance to an organization's management, intended to define management's responsibility to evaluate whether there is a substantial doubt about an organization's ability to continue as a going concern and to provide guidance regarding related footnote disclosure. In connection with preparing financial statements for each annual and interim reporting period, an entity's management should evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the entity's ability to continue as a going concern within one year after the date that the financial statements are issued. Management's evaluation should be based on relevant conditions and events that are known and reasonably knowable at the date that the financial statements are issued. For all entities, ASU 2014-15 is effective for annual periods and interim periods within those annual periods beginning after December 15, 2016; early adoption is permitted. We are currently evaluating the impact that the adoption of ASU 2014-15 will have on our financial condition, results of operations and disclosures.

In June 2014, the FASB issued ASU No. 2014-12, *Compensation – Stock Compensation (Topic 718): Accounting for Share-Based Payments When the Terms of an Award Provide That a Performance Target Could Be Achieved after the Requisite Service Period.* This ASU standardizes the reporting for these awards by requiring that entities treat these performance targets as a performance condition. As such, the performance target should not be reflected in estimating the grant-date fair value of the award. Compensation cost should be recognized in the period in which it becomes probable that the performance target will be achieved and should represent the compensation cost attributable to the period(s) for which the requisite service has already been rendered. For all entities, ASU 2014-12 is effective for annual periods and interim periods within those annual periods beginning after December 15, 2015; early adoption is permitted. We are currently evaluating the impact that the adoption of ASU 2014-11 will have on our financial condition, results of operations and disclosures.

In May 2014, the FASB issued ASU No. 2014-09, *Revenue from Contracts with Customers (Topic 606).* ASU 2014-09 is principles based guidance that can be applied to all contracts with customers, enhancing comparability of revenue recognition practices across entities, industries, jurisdictions and capital markets. The core principle of the guidance is that entities should recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods and services. The guidance details the steps entities should apply to achieve the core principle. For public entities, ASU 2014-09 is effective for annual reporting periods beginning after December 15, 2016, including interim periods within that reporting period; early adoption is not permitted. We are currently evaluating the impact that the adoption of ASU 2014-09 will have on our financial condition, results of operations and disclosures.

In April 2014, the FASB issued ASU No. 2014-08, *Presentation of Financial Statements (Topic 205) and Property, Plant, and Equipment (Topic 360): Reporting Discontinued Operations and Disclosures of Disposals of Components of an Entity.* This ASU limits discontinued operations reporting to disposals of components of an entity that represent strategic shifts that have (or will have) a major effect on an entity's operations and financial results. In addition, the amendments in this ASU require expanded disclosures for discontinued operations as well as for disposals that do not qualify as discontinued operations. For public entities, ASU 2014-08 is effective for fiscal years, and interim periods within those years, beginning on or after December 15, 2014. We have evaluated the impact that the adoption of ASU 2014-08 will have on our financial condition, results of operation and disclosures and believe the impact to be material. Previously, campuses within our Transitional Group would be reclassified as discontinued operations upon the teach-out date. Under the new guidance, campuses that complete their teach-out will not meet the definition of discontinued operations, with the exception of those that meet the definition of a "strategic shift." Therefore, revenues and any respective operating losses associated with these campuses that do not meet the definition of a "strategic shift" will remain within continuing operations for all periods presented. Additionally, we will provide increased disclosures surrounding discontinued operations as well as increased disclosures surrounding our campuses that will cease operations but not meet the requirements to be classified as discontinued operations.

We have evaluated and adopted the guidance of the following ASUs issued by the FASB in 2013; adopting these ASUs did not materially impact the presentation of our financial condition, results of operations and disclosures:

- ASU No. 2013-11, *Income Taxes (Topic 740): Presentation of an Unrecognized Tax Benefit When a Net Operating Loss Carryforward, a Similar Tax Loss, or a Tax Credit Carryforward Exists* issued in July 2013. ASU 2013-11 standardizes the financial statement presentation of an unrecognized tax benefit when a net operating loss carryforward, a similar tax loss, or a tax credit carryforward exists; it does not require new recurring disclosures. ASU 2013-11 requires that an unrecognized tax benefit, or a portion of an unrecognized tax benefit, should be presented in the financial statements as a reduction to a deferred tax asset for a net operating loss carryforward, a similar tax loss, or a tax credit carryforward unless specific criteria exist, in which case the unrecognized tax benefit should be presented as a liability and should not be combined with deferred tax assets.

- ASU No. 2013-04, *Liabilities (Topic 405): Obligations Resulting from Joint and Several Liability Arrangements for Which the Total Amount of the Obligation is Fixed at the Reporting Date* issued in February 2013. The guidance in ASU 2013-04 requires entities to measure obligations resulting from joint and several liability arrangements, for which the total obligation amount is fixed at the reporting date, as the sum of the amount the reporting entity agreed to pay on the basis of its arrangement among its co-obligors and any additional amount it expects to pay on behalf of its co-obligors. ASU 2013-04 also specifies disclosure requirements.

4. DISCONTINUED OPERATIONS

As of December 31, 2014, the results of operations for campuses that have ceased operations, assets that are held for sale or institutions that were sold, and are considered distinct operations as defined under FASB ASC Topic 205 – *Presentation of Financial Statements,* are presented within discontinued operations. During 2014, we completed the teach-out of twenty-one campuses, as well as completed the sale of two campuses, and accordingly, all current financial statements include the results of operations and financial position of these campuses as components of discontinued operations.

Assets Held for Sale

During the fourth quarter of 2014, we made the decision to commit to a plan of sale for our Le Cordon Bleu Culinary Arts institutions. Accordingly, the assets and liabilities for these institutions are included in the assets and liabilities of discontinued operations on our consolidated balance sheet and the results of operations are reported within discontinued operations in the consolidated statement of loss and comprehensive loss. As we anticipate the sale of these assets to be completed within one year, we have recorded the assets and liabilities related to these institutions within current assets and liabilities of discontinued operations as of December 31, 2014.

During the fourth quarter of 2014, and prior to the announcement of the plan of sale for our LCB institutions, we concluded that certain indicators, including the recent release of the gainful employment regulation, existed to suggest the long-lived assets were at risk of their carrying values exceeding their respective fair values. As a result of our analysis of fair value, we recorded $10.0 million of asset impairment charges related to the fixed assets at four of our LCB institutions. The fixed assets related to these institutions are expected to generate negative cash flows through their respective lease end dates and as such the carrying values were not deemed recoverable. The fair value for these assets was determined based upon management's assumptions regarding an estimated percentage of replacement value for similar assets and estimated salvage values. Because the determination of the estimated fair value of these assets requires significant estimation and assumptions, these fair value measurements are categorized as Level 3 per ASC Topic 820.

Results of Discontinued Operations

Combined summary results of operations for our discontinued operations for the year ended December 31, 2014, were as follows (dollars in thousands):

Revenue	$ 177,314
Pretax loss	$(101,923)
Income tax provision (benefit)	—
Loss from discontinued operations, net of tax	$(101,923)
Net loss per diluted share	$ (1.52)

The summary results of operations held for sale presented within results from discontinued operations above were (dollars in thousands):

Asset Held For Sale:	
Revenue	$172,606
Loss from discontinued operations	$ (66,322)

Assets and Liabilities of Discontinued Operations

Assets and liabilities of discontinued operations on our consolidated balance sheet as of December 31, 2014 include the following (dollars in thousands):

Assets:	
Current assets:	
Receivables, net	$ 473
Assets held for sale	76,846
Total current assets	77,319
Non-current assets:	
Other assets, net	975
Total assets of discontinued operations	$78,294
Liabilities:	
Current liabilities:	
Accounts payable and accrued expenses	$ 579
Remaining lease obligations	14,927
Liabilities held for sale	50,357
Total current liabilities	65,863
Non-current liabilities:	
Remaining lease obligations	22,689
Other	170
Total liabilities of discontinued operations	$88,722

The major components of assets and liabilities held for sale presented above within discontinued operations were (dollars in thousands):

Assets:	
Receivables, net	$ 8,303
Property and equipment, net	42,521
Other intangible assets	18,400
Other assets	7,622
Total assets held for sale	$76,846
Liabilities:	
Accounts payable and accrued expenses	12,410
Deferred revenue	17,001
Remaining lease obligations	2,253
Other liabilities	18,693
Total liabilities held for sale	$50,357

Remaining Lease Obligations

A number of the campuses that ceased operations or are held for sale have remaining lease obligations that expire over time with the latest expiration in 2022. A liability is recorded representing the fair value of the remaining lease obligation at the time the space is no longer being utilized. Changes in our future remaining lease obligations, which are reflected within current and non-current liabilities of discontinued operations on our consolidated balance sheet, for the year ended December 31, 2014, were as follows (dollars in thousands):

Balance, beginning of period	$ 46,755
Charges incurred (1)	14,129
Net cash payments (2)	(26,546)
Other (3)	5,531
Balance, end of period	$ 39,869

(1) Includes charges for newly vacated spaces and subsequent adjustments for accretion, revised estimates, and variances between estimated and actual charges, net of any reversals for terminated lease obligations.

(2) See Note 8 "Leases" for the future minimum lease payments under operating leases for discontinued operations as of December 31, 2014.

(3) Includes existing prepaid rent and deferred rent liability balances for newly vacated spaces that are netted with the losses incurred in the period recorded.

5. INVESTMENTS

Investments from our continuing operations consist of the following as of December 31, 2014 (dollars in thousands):

	December 31, 2014			
		Gross Unrealized		
	Cost	Gain	(Loss)	Fair Value
Short-term investments (available for sale):				
Municipal bonds	$ 6,880	$ 1	$ (56)	$ 6,825
Non-governmental debt securities	98,400	1	(271)	98,130
Treasury and federal agencies	17,928	6	(31)	17,903
Total short-term investments	123,208	8	(358)	122,858
Long-term investments (available for sale):				
Municipal bond	7,850	—	(476)	7,374
Total investments (available for sale)	$131,058	$ 8	$(834)	$130,232

In the table above, unrealized holding gains (losses) as of December 31, 2014 relate to short-term investments that have been in a continuous unrealized gain (loss) position for less than one year. The table also includes an unrealized holding loss, greater than one year, that relates to our long-term investment in a municipal bond, which is an auction rate security ("ARS").

Our long-term investment in a municipal bond is comprised of debt obligations issued by states, cities, counties, and other governmental entities, which earn federally tax-exempt interest. Our investment in ARS has a stated term to maturity of greater than one year, and as such, we classify our investment in ARS as non-current on our consolidated balance sheet within other assets. Auctions can "fail" when the number of sellers of the security exceeds the buyers for that particular auction period. In the event that an auction fails, the interest rate resets at a rate based on a formula determined by the individual security. The ARS for which auctions have failed continues to accrue interest and is auctioned on a set interval until the auction succeeds, the issuer calls the security, or it matures. As of December 31, 2014, we have determined this investment is at risk for impairment due to the nature of the liquidity of the market over the past several years. Cumulative unrealized losses as of December 31, 2014 amount to $0.5 million and are reflected within accumulated other comprehensive loss as a component of stockholders' equity. We believe this impairment is temporary, as we do not intend to sell the investment and it is unlikely we will be required to sell the investment before recovery of its amortized cost basis.

Our non-governmental debt securities primarily consist of corporate bonds and commercial paper. Our treasury and federal agencies primarily consist of U.S. Treasury bills and federal home loan debt securities. We do not intend to sell our investments in these securities and it is not likely that we will be required to sell these investments before recovery of the amortized cost basis.

A schedule of available-for-sale investments segregated by their original stated terms to maturity as of December 31, 2014, are as follows (dollars in thousands):

	Less than one year	One to five years	Five to ten years	Greater than ten years	Total
Original stated term to maturity of available-for-sale-investments as of December 31, 2014	$77,177	$44,182	$211	$8,662	$130,232

Realized gains or losses resulting from sales of investments during the year ended December 31, 2014, were not significant.

Fair Value Measurements

FASB ASC Topic 820 – *Fair Value Measurements* establishes a three-tier fair value hierarchy, which prioritizes the inputs used in measuring fair value. These tiers include: Level 1, defined as observable inputs such as quoted prices in active markets; Level 2, defined as inputs other than quoted prices in active markets that are either directly or indirectly observable; and Level 3, defined as unobservable inputs in which little or no market data exists, therefore requiring an entity to develop its own assumptions.

As of December 31, 2014, we held investments that are required to be measured at fair value on a recurring basis. These investments (available-for-sale) consist of non-governmental debt securities, treasury and federal agencies and municipal bonds that are publicly traded and for which market prices are readily available, and our investment in an ARS. Available for sale securities included in Level 2 are estimated based on observable inputs other than quoted prices in active markets for identical assets and liabilities, quoted prices for identical or similar assets or liabilities in inactive markets, or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities. During the first quarter of 2014, we reclassified our investments in U.S Treasury bills from Level 1 classification to Level 2. The fair value for these investments was not based on identical assets as of March 31, 2014 which resulted in this reclassification. Our investment in an ARS is categorized as Level 3 and fair value is estimated utilizing a discounted cash flow analysis as of December 31, 2014 which considers, among other items, the collateralization underlying the security investment, the credit worthiness of the counterparty, the time of expected future cash flows, and the expectation of the next time the security is expected to have a successful auction. The auction event for our ARS investment has failed for multiple years. The security was also compared, when possible, to other observable market data with similar characteristics.

Investments measured at fair value on a recurring basis subject to the disclosure requirements of FASB ASC Topic 820 – *Fair Value Measurements* at December 31, 2014 were as follows (dollars in thousands):

	As of December 31, 2014			
	Level 1	Level 2	Level 3	Total
Municipal bonds	$—	$ 6,825	$7,374	$ 14,199
Non-governmental debt securities	—	98,130	—	98,130
Treasury and federal agencies	—	17,903	—	17,903
Totals	$—	$122,858	$7,374	$130,232

The following table presents a rollforward of our assets measured at fair value on a recurring basis using significant unobservable inputs (Level 3) as defined in FASB ASC Topic 820 for the year to date ended December 31, 2014 (dollars in thousands):

Balance at December 31, 2013	$7,374
Unrealized loss	—
Balance at December 31, 2014	$7,374

See Note 7 "Property and Equipment" and Note 9 "Goodwill and Other Intangible Assets" for further information regarding non-recurring fair value measurements.

Equity Method Investment

Our investment in an equity affiliate, which is recorded within other noncurrent assets on our consolidated balance sheet, represents an international investment in a private company. As of December 31, 2014, our investment in an equity affiliate equated to a 30.7%, or $4.8 million, non-controlling interest in CCKF, a Dublin-based educational technology company providing intelligent adaptive systems to power the delivery of individualized and personalized learning. During the fourth quarter of 2014, we increased our investment in CCKF to 30.7% through a $3.2 million additional investment, thus requiring us to record this investment under the equity method. Prior to our additional investment, we accounted for our investment in CCKF as a cost method investment because we had less than a 20% interest and did not have significant influence. As a result of this increase in investment, we recorded a retroactive adjustment to account for the investment and applied the equity method for all prior periods in which the investment was held in accordance with ASC Topic 323 – *Investments – Equity Method and Joint Ventures*. The retroactive cumulative adjustment increased retained earnings as of January 1, 2014 by $0.1 million. Additionally, we recorded less than $0.1 million of income related to our proportionate investment in CCKF for the year ended December 31, 2014.

6. STUDENT RECEIVABLES

Student receivables represent funds owed to us in exchange for the educational services provided to a student. Student receivables are reflected net of an allowance for doubtful accounts and net of deferred tuition revenue. Student receivables, net are reflected on our consolidated balance sheet as components of both current and non-current assets. We do not accrue interest on past due student receivables; interest is recorded only upon collection.

Generally, a student receivable balance is written off once it reaches greater than 90 days past due. Although we analyze past due receivables, it is not practical to provide an aging of our non-current student receivable balances as a result of the methodology utilized in determining our earned student receivable balances. Student receivables are recognized on our consolidated balance sheet as they are deemed earned over the course of a student's program and/or term, and therefore cash collections are not applied against specifically dated transactions.

Our standard student receivable allowance estimation methodology considers a number of factors that, based on our collection experience, we believe have an impact on our repayment risk and ability to collect student receivables. Changes in the trends in any of these factors may impact our estimate of the allowance for doubtful accounts. These factors include, but are not limited to: internal repayment history, repayment practices of previous extended payment programs and information provided by a third-party institution who previously offered similar extended payment programs, changes in the current economic, legislative or regulatory environments and credit worthiness of our students. These factors are monitored and assessed on a regular basis. Overall, our allowance estimation process for student receivables is validated by trending analysis and comparing estimated and actual performance. The repayment risk associated with student receivables under extended payment plans is generally higher than those not related to extended payment plans; as such, the allowance for doubtful accounts for these student receivables as a percentage of outstanding student receivables is higher.

Student Receivables Under Extended Payment Plans and Recourse Loan Agreements

To assist students in completing their educational programs, we had previously provided extended payment plans to certain students and also had loan agreements with Sallie Mae and Stillwater National Bank and Trust Company ("Stillwater") which required us to repurchase loans originated by them to our students after a certain period of time. We discontinued providing extended payment plans to students during the first quarter of 2011 and the recourse loan agreements with Sallie Mae and Stillwater ended in March 2008 and April 2007, respectively.

As of December 31, 2014, the amount of non-current student receivables under these programs, net of allowance for doubtful accounts and net of deferred tuition revenue, was $2.9 million.

Student Receivables Valuation Allowance

Changes in our current and non-current receivables allowance for the year ended December 31, 2014 were as follows (dollars in thousands):

Balance, beginning of period	$ 17,570
Charges incurred (1)	15,850
Net cash payments	(18,903)
Balance, end of period	$ 14,517

(1) Charges to expense include an offset for recoveries of amounts previously written off of $5.7 million the year ended December 31, 2014.

Fair Value Measurements

The carrying amount reported in our consolidated balance sheet for the current portion of student receivables approximates fair value because of the nature of these financial instruments as they generally have short maturity periods. It is not practicable to estimate the fair value of the non-current portion of student receivables, since observable market data is not readily available, and no reasonable estimation methodology exists.

7. PROPERTY AND EQUIPMENT

The cost basis and estimated useful lives of property and equipment for continuing operations as of December 31, 2014 are as follows (dollars in thousands):

	Cost	Life
Leasehold improvements	$ 174,026	Shorter of Life of Lease or Useful Life
Computer hardware and software	121,136	3 years
Furniture, fixtures and equipment	90,671	5-10 years
Building and improvements	8,656	15-35 years
Library materials	3,840	10 years
Vehicles	778	5 years
Construction in progress	372	
	399,479	
Less-Accumulated depreciation	(326,396)	
Total property and equipment, net	$ 73,083	

Depreciation expense for continuing operations for the year ended December 31, 2014 was $35.2 million. Depreciation expense for discontinued operations, included in loss from discontinued operations, was $19.4 million for the year ended December 31, 2014.

Property and equipment was affected by asset impairment charges of approximately $14.7 million for the year ended December 31, 2014, as a result of the reduction in carrying values for campuses that are being taught out, decisions made to exit certain leased facilities, and for certain long-lived assets related to ongoing institutions which are expected to generate negative cash flows through the respective lease end dates and as such the carrying values were not recoverable. The fair value for these assets was determined based upon management's assumptions regarding an estimated percentage of replacement value for similar assets and estimated salvage values. Because the determination of the estimated fair value of these assets requires significant estimation and assumptions, these fair value measurements are categorized as Level 3 per ASC Topic 820.

8. LEASES

We lease most of our administrative and educational facilities and certain equipment under non-cancelable operating leases expiring at various dates through 2023. Lease terms generally range from five to ten years with one to two renewal options for extended terms. In most cases, we are required to make additional payments under facility operating leases for taxes, insurance and other operating expenses incurred during the operating lease period.

Certain of our leases contain rent escalation clauses or lease incentives, including rent abatements and tenant improvement allowances. Rent escalation clauses and lease incentives are taken into account in determining total rent expense to be recognized during the term of the lease, which begins on the date we take control of the leased space. Renewal options are considered when determining the overall lease term. In accordance with FASB ASC Topic 840 – *Leases*, differences between periodic rent expense and periodic cash rental payments, caused primarily by the recognition of rent expense on a straight-line basis and tenant improvement allowances due or received from lessors, are recorded as deferred rent obligations on our consolidated balance sheet.

Rent expense, exclusive of related taxes, insurance, and maintenance costs, for continuing operations totaled approximately $48.5 million for the year ended December 31, 2014, and is reflected in educational services and facilities expense in our consolidated statement of loss and comprehensive loss. Rent expense for discontinued operations, which is included in loss from discontinued operations, was approximately $34.5 million for the year ended December 31, 2014.

Remaining Lease Obligations

We have recorded lease exit costs associated with the exit of real estate space for certain campuses related to our continuing operations. These costs are recorded within educational services and facilities expense on our consolidated statement of loss and comprehensive loss. The current portion of the liability for these charges is reflected within other accrued expenses under current liabilities and the long-term portion of these charges are included in other liabilities under the non-current liabilities section of our consolidated balance sheet. Changes in our future minimum lease obligations for exited space related to our continuing operations for the year ended December 31, 2014 were as follows (dollars in thousands):

Balance, beginning of period	$ 4,588
Charges incurred (1)	4,043
Net cash payments	(3,783)
Other (2)	(7)
Balance, end of period	$ 4,841

(1) Includes charges for newly vacated spaces and subsequent adjustments for accretion, revised estimates and variances between estimated and actual charges, net of any reversals for terminated lease obligations.

(2) Includes existing prepaid rent and deferred rent liability balances for newly vacated spaces that offset the losses incurred in the period recorded.

As of December 31, 2014, future minimum lease payments under operating leases for continuing and discontinued operations are as follows (dollars in thousands):

	Operating Leases		
	Continuing Operations	Discontinued Operations	Total
2015	$ 47,467	$ 40,473	$ 87,940
2016	41,093	36,273	77,366
2017	36,754	29,403	66,157
2018	35,738	22,077	57,815
2019	27,850	13,116	40,966
2020 and thereafter	35,917	11,009	46,926
Total	$224,819	$152,351	$377,170

Of the remaining $224.8 million of lease payments for continuing operations, $40.3 million relates to our Transitional Group leases and of the remaining $152.4 million lease obligations for discontinued operations, $98.8 million relate to our assets held for sale. See Note 4 “Discontinued Operations” and Note 10 “Restructuring Charges” for further discussion.

As of December 31, 2014, future minimum sublease rental income under operating leases, which will decrease our future minimum lease payments presented above, for continuing and discontinued operations, is as follows (dollars in thousands):

	Operating Subleases		
	Continuing Operations	Discontinued Operations	Total
2015	$2,376	$ 6,202	$ 8,578
2016	981	6,216	7,197
2017	796	6,206	7,002
2018	656	1,955	2,611
2019	674	1,147	1,821
2020 and thereafter	691	376	1,067
Total	$6,174	$22,102	$28,276

9. GOODWILL AND OTHER INTANGIBLE ASSETS

There were no changes in the carrying amount of goodwill for continuing operations during the year ended December 31, 2014. As of December 31, 2014, goodwill by segment for continuing operations is as follows (dollars in thousands):

CTU	$45,938
AIU	41,418
Total	$87,356

We performed our annual impairment testing of goodwill as of October 1, 2014 and determined that none of our reporting units were at risk of failing the first step of the goodwill impairment test as of October 1, 2014.

In calculating the fair value for CTU and AIU, we performed extensive valuation analyses, utilizing both income and market approaches, in our goodwill assessment process. The following describes the valuation methodologies used to derive the fair value of our reporting units:

- *Income Approach*: To determine the estimated fair value of each reporting unit, we discount the expected cash flows which are developed by management. We estimate our future cash flows after considering current economic conditions and trends, estimated future operating results, our views of growth rates and anticipated future economic and regulatory conditions. The discount rate used represents the estimated weighted average cost of capital, which reflects the overall level of inherent risk involved in our future expected cash flows and the rate of return an outside investor would expect to earn. To estimate cash flows beyond the final year of our models, we use a terminal value approach and incorporate the present value of the resulting terminal value into our estimate of fair value.
- *Market-Based Approach*: To corroborate the results of the income approach described above, we estimate the fair value of our reporting units using several market-based approaches, including the guideline company method, which focuses on comparing our risk profile and growth prospects to select reasonably similar publicly traded companies.

The determination of estimated fair value of each reporting unit requires significant estimates and assumptions, and as such, these fair value measurements are categorized as Level 3 per ASC Topic 820. These estimates and assumptions primarily include, but are not limited to, the discount rate, terminal growth rates, operating cash flow projections and capital expenditure forecasts. Due to the inherent uncertainty involved in deriving those estimates, actual results could differ from those estimates. We evaluate the merits of each significant assumption used, both individually and in the aggregate, to determine the fair value of each reporting unit for reasonableness.

As of December 31, 2014, the cost basis, accumulated amortization and net book value of intangible assets for continuing operations are as follows (dollars in thousands):

	Cost	Accumulated Amortization	Net Book Value
Amortizable intangible assets:			
Courseware	$ 9,656	$(9,656)	$ —
Trade name	438	(219)	219
Other	96	(96)	—
Amortizable intangible assets, net	$10,190	$(9,971)	$ 219
Non-amortizable intangible assets:			
Accreditation, licensing, and Title IV Program participation rights			$1,000
Trade names			8,600
Non-amortizable intangible assets			9,600
Intangible assets, net			$9,819

Amortizable intangible assets are amortized on a straight-line basis over their estimated useful lives; remaining useful lives for these assets are one year as of December 31, 2014. During the first quarter of 2014, we made the decision to simplify our structure and began to consolidate many of our institutions under one brand. Accordingly, we determined that the trade name associated with Missouri College should no longer be classified as indefinite-lived, and was reclassified to definite-lived. We assigned a remaining useful life of 24 months based upon the timing of when the trade name for this institution was expected to change. Amortization expense from continuing operations was $0.8 million for the year ended December 31, 2014.

As of December 31, 2014, net intangible assets include certain accreditation, licensing, and Title IV Program participation rights and trade names that are considered to have indefinite useful lives and, in accordance with FASB ASC Topic 350 – *Intangibles – Goodwill and Other*, are not subject to amortization but rather reviewed for impairment on at least an annual basis by applying a fair-value-based test.

During 2014, in conjunction with our quarterly review processes, we concluded that certain indicators, including variation from previously projected revenue results, existed to suggest the Sanford-Brown trade name was at risk of its carrying value exceeding its respective fair value. We calculated the fair value of our trade name in accordance with FASB ASC Topic 820 – *Fair Value Measurement*, by utilizing the relief from royalty method under the income approach. The determination of estimated fair value for trade name requires significant estimates and assumptions, and as such is categorized as Level 3 per ASC Topic 820. The assumptions utilized in determining the fair value of the Sanford-Brown trade name included utilizing projected revenue growth rates, a discount rate of approximating 25%, royalty rate of 0.5% and a terminal growth rate of approximately 2%. As a result of the assessment, we recorded a $0.7 million trade name impairment charge for Sanford-Brown. This impairment was recorded in the fourth quarter of 2014 and is in addition to impairment of $1.5 million recorded during the third quarter of 2014. The value of the Sanford-Brown trade names is $1.7 million as of December 31, 2014.

Additionally, we performed our annual impairment testing of indefinite-lived intangible asset balances as of October 1, 2014 and concluded that no indicators existed that would suggest that it is more likely than not that the remaining assets would be impaired. Due to the inherent uncertainty involved in deriving those estimates, actual results could differ from those estimates. We evaluate the merits of each significant assumption used, both individually and in the aggregate, to determine the fair value for reasonableness. Although we believe our projected future operating results and cash flows and related estimates regarding fair value are based on reasonable assumptions, historically projected operating results and cash flows have not always been achieved. However, for sensitivity purposes, and with all other inputs remaining equal, a 100 basis point change in the discount rate utilized in the calculation would result in a change in the fair value of approximately $0.1 million. We continue to monitor the operating results and revenue projections related to our trade name on a quarterly basis for signs of possible further declines in estimated fair value and trade name impairment.

10. RESTRUCTURING CHARGES

During the past several years, we have carried out reductions in force related to the continued reorganization of our corporate and campus functions to better align with current total enrollments and made decisions to teach out a number of campuses, meaning gradually close the campuses through an orderly process. Most notably, we have recorded charges within our Career Colleges segment and our corporate functions as we continue to align our overall management structure. The remaining Transitional Group campuses that are in the process of teaching out as of December 31, 2014 will cease operations at various dates through 2017.

The following table details the changes in our accrual for severance and related costs associated with all of these restructuring events for our continuing operations during the year ended December 31, 2014 (dollars in thousands):

Balance, beginning of period	$ 3,243
Severance and related charges (1)	3,524
Payments	(2,885)
Non-cash adjustments (2)	(1,181)
Balance, end of period	$ 2,701

(1) Includes payments related to COBRA and outplacement services which are assumed to be completed by the third month following an employee's departure.

(2) Includes cancellations due to employee departures prior to agreed upon end dates, employee transfers to open positions within the organization and subsequent adjustments to severance and related costs.

Severance and related expenses for the year ended December 31, 2014 by reporting segment is as follows (dollars in thousands):

CTU	$ 544
AIU	103
Total University Group	647
Career Colleges	1,093
Corporate and Other	1,087
Subtotal	2,827
Transitional Group	697
Total	$3,524

The current portion of the accrual for severance and related charges was $1.7 million as of December 31, 2014, which is recorded within current accrued expenses – payroll and related benefits; the long-term portion of $1.0 million is recorded within other non-current liabilities on our consolidated balance sheet as of December 31, 2014.

In addition, as of December 31, 2014, we have an accrual of approximately $0.7 million related to retention bonuses that have been offered to certain employees. These amounts are recorded ratably over the period the employees are retained; $0.9 million was recorded during the year ended December 31, 2014.

In addition to the charges detailed above, a number of these campuses will have remaining lease obligations following the eventual campus closure, with the longest lease term being through 2021. The total estimated charge related to the remaining lease obligation for these leases, once the campus completes the close process, and adjusted for possible lease buyouts and sublease assumptions is approximately $12.0 million. The amount related to each campus will be recorded at each campus closure date based on current estimates and assumptions related to the amount and timing of sublease income. See Note 8 "Leases" for details regarding our gross remaining lease obligations for our Transitional Group.

11. CREDIT AGREEMENT

On October 31, 2014, the Company; its wholly-owned subsidiary, CEC Educational Services, LLC ("CEC-ES"); and the subsidiary guarantors thereunder entered into a First Amendment (the "First Amendment") to its Amended and Restated Credit Agreement dated as of December 30, 2013 (as amended, the "Credit Agreement") with BMO Harris Bank N.A. ("BMO Harris"), in its capacities as the initial lender and letter of credit issuer thereunder and the administrative agent for the lenders which from time to time may be parties to the Credit Agreement, to among other things, increase the revolving credit facility to $120.0 million. The revolving credit facility under the Credit Agreement is scheduled to mature on June 30, 2016. The Credit Agreement requires that fees and interest are payable monthly and quarterly in arrears, respectively, and principal is payable at maturity. Any borrowings bear interest at fluctuating interest rates based on either the base rate or the London Interbank Offered Rate (LIBOR), plus the applicable rate based on the type of loan.

We may prepay amounts outstanding, or terminate or reduce the commitments, under the Credit Agreement upon three or five business days' prior notice, respectively, in each case without premium or penalty. The Credit Agreement contains customary affirmative, negative and financial maintenance covenants, including a requirement to maintain a three month average balance of cash, cash equivalents and permitted investments in our domestic accounts of at least $190.0 million at all times, subject to adjustment for certain cash payments made by the Company in connection with buyouts of leases for campus locations and other facilities. The loans and letter of credit obligations under the Credit Agreement are secured by 100% cash collateral. The agreement also contains customary representations and warranties, events of default, and rights and remedies upon the occurrence of any event of default, including rights to accelerate the loans, terminate the commitments and rights to realize upon the collateral securing the obligations under the Credit Agreement.

We have $10.0 million outstanding as of December 31, 2014, pursuant to the revolving credit facility under the Credit Agreement. The full amount borrowed as of December 31, 2014 is classified as short-term borrowings on our consolidated balance sheet.

Selected details of our credit agreements as of and for the year ended December 31, 2014 were as follows (dollars in thousands):

Credit Agreement:	
Credit facility remaining availability	$98,437
Credit facility borrowings	$10,000
Outstanding letters of credit (1)(2)	$11,563
Availability of additional letters of credit (3)	$ 8,437
Weighted average daily revolving credit borrowings for the year ended	$ 9
Weighted average annual interest rate	1.67%
Commitment fee rate	0.25%
Letter of credit fee rate	0.75%

(1) Represents letters of credit which are fully collateralized with $11.6 million of restricted cash as of December 31, 2014.

(2) As of December 31, 2014, outstanding letters of credit not related to the Credit Agreement totaled $1.3 million, which amount is fully collateralized with restricted cash, which is in addition to the $11.6 million reflected above.

(3) The letters of credit sublimit of $20.0 million under the Credit Agreement is part of, not in addition to, the $120.0 million aggregate commitments.

12. CONTINGENCIES

An accrual for estimated legal fees and settlements of $2.3 million at December 31, 2014, is presented within other current liabilities on our consolidated balance sheet.

We record a liability when we believe that it is both probable that a loss will be incurred and the amount of loss can be reasonably estimated. We evaluate, at least quarterly, developments in our legal matters that could affect the amount of liability that was previously accrued, and make adjustments as appropriate. Significant judgment is required to determine both probability and the estimated amount. We may be unable to estimate a possible loss or range of possible loss due to various reasons, including, among others: (1) if the damages sought are indeterminate; (2) if the proceedings are in early stages; (3) if there is uncertainty as to the outcome of pending appeals, motions, or settlements; (4) if there are significant factual issues to be determined or resolved; and (5) if there are novel or unsettled legal theories presented. In such instances, there is considerable uncertainty regarding the ultimate resolution of such matters, including a possible eventual loss, if any.

Litigation

We are, or were, a party to the following legal proceedings that we consider to be outside the scope of ordinary routine litigation incidental to our business. Due to the inherent uncertainties of litigation, we cannot predict the ultimate outcome of these matters. An unfavorable outcome of any one or more of these matters could have a material adverse impact on our business, results of operations, cash flows and financial position.

Student Litigation

Enea, et al. v. Career Education Corporation, California Culinary Academy, Inc., SLM Corporation, and Sallie Mae, Inc. Plaintiffs filed this putative class action in the Superior Court State of California, County of San Francisco, on or about June 27, 2013. Plaintiffs allege that CCA materially misrepresented the placement rates of its graduates, falsely stated that admission to the culinary school was competitive and that the school had an excellent reputation among restaurants and other food service providers, represented that the culinary schools were well-regarded institutions producing skilled graduates who employers eagerly hired, and lied by telling students that the school provided graduates with career placement services for life. The class purports to consist of persons who executed Parent Plus loans or co-signed loans for students who attended CCA at any time between January 1, 2003 and December 31, 2008. Plaintiffs seek restitution, damages, civil penalties and attorneys' fees.

Defendants filed a motion to dismiss and to strike class action allegations on October 31, 2013. A hearing on the motions was conducted on March 14, 2014. Thereafter, the Court issued two separate orders granting the motion to strike the class allegations and the motion to dismiss without leave to amend. Plaintiffs filed a motion seeking leave to file a third amended complaint and/or for reconsideration of the Court's orders. On May 9, 2014, the Court denied plaintiffs' motion to reconsider its order striking the class allegations and granted plaintiffs leave to file a third amended complaint as to some, but not all, of plaintiffs' claims. On May 15, 2014, plaintiffs appealed the Court's ruling with respect to the motion to strike the class allegations. The Court has stayed the case pending a ruling on the appeal.

Because of the many questions of fact and law that may arise in the future, the outcome of this legal proceeding is uncertain at this point. Based on information available to us at present, we cannot reasonably estimate a range of potential loss, if any, for this action because, among other things, our potential liability depends on whether a class is certified and, if so, the composition and size of any such class, as well as on an assessment of the appropriate measure of damages if we were to be found liable. Accordingly, we have not recognized any liability associated with this action.

Surrett, et al. v. Western Culinary Institute, Ltd. and Career Education Corporation. On March 5, 2008, a complaint was filed in Portland, Oregon in the Circuit Court of the State of Oregon in and for Multnomah County naming Western Culinary Institute, Ltd. ("WCI") and the Company as defendants. Plaintiffs filed the complaint individually and as a putative class action and alleged two claims for equitable relief: violation of Oregon's Unlawful Trade Practices Act ("UTPA") and unjust enrichment. Plaintiffs filed an amended complaint on April 10, 2008, which added two claims for money damages: fraud and breach of contract. Plaintiffs allege WCI made a variety of misrepresentations to them, relating generally to WCI's placement statistics, students' employment prospects upon graduation from WCI, the value and quality of an education at WCI, and the amount of tuition students could expect to pay as compared to salaries they could expect to earn after graduation. WCI subsequently moved to dismiss certain of plaintiffs' claims under Oregon's UTPA; that motion was granted on September 12, 2008. On February 5, 2010, the Court entered a formal Order granting class certification on part of plaintiff's UTPA and fraud claims purportedly based on omissions, denying certification of the rest of those claims and denying certification of the breach of contract and unjust enrichment claims. The class consists of students who enrolled at WCI between March 5, 2006 and March 1, 2010, excluding those who dropped out or were dismissed from the school for academic reasons.

Plaintiffs filed a fifth amended complaint on December 7, 2010, which included individual and class allegations by Nathan Surrett. Class notice was sent on April 22, 2011, and the opt-out period expired on June 20, 2011. The class consisted of approximately 2,600 members. They are seeking tuition refunds, interest and certain fees paid in connection with their enrollment at WCI.

On May 23, 2012, WCI filed a motion to compel arbitration of claims by 1,062 individual class members who signed enrollment agreements containing express class action waivers. The Court issued an Order denying the motion on July 27, 2012. On August 6, 2012, WCI filed an appeal from the Court's Order and on August 30, 2012, the Court of Appeals issued an Order granting WCI's motion to compel the trial court to cease exercising jurisdiction in the case. The oral argument on the appeal was heard on May 9, 2014 and we are awaiting the Court's decision. All proceedings with the trial court have been stayed pending the outcome of the appeal.

Because of the many questions of fact and law that have already arisen and that may arise in the future, the outcome of this legal proceeding is uncertain at this point. Based on information available to us at present, we cannot reasonably estimate a range of potential loss, if any, for this action because of the inherent difficulty in assessing the appropriate measure of damages and the number of class members who might be entitled to recover damages, if we were to be found liable. Accordingly, we have not recognized any liability associated with this action.

False Claims Act

United States of America, ex rel. Melissa Simms Powell, et al. v. American InterContinental University, Inc., a Georgia Corporation, Career Education Corp., a Delaware Corporation and John Doe Nos. 1-100. On July 28, 2009, we were served with a complaint filed in the U.S. District Court for the Northern District of Georgia, Atlanta Division. The complaint was originally filed under seal on July 14, 2008 by four former employees of the Dunwoody campus of our American InterContinental University on behalf of themselves and the federal government. On July 27, 2009, the Court ordered the complaint unsealed and we were notified that the U.S. Department of Justice declined to intervene in the action. When the federal government declines to intervene in a False Claims Act action, as it has done in this case, the private plaintiffs (or "relators") may elect to pursue the litigation on behalf of the federal government and, if they are successful, receive a portion of the federal government's recovery. The action alleges violations of the False Claims Act and promissory fraud, including allegedly providing false certifications to the federal government regarding compliance with certain provisions of the Higher Education Act and accreditation standards. Relators claim that defendants' conduct caused the government to pay federal funds to defendants and to make payments to third-party lenders, which the government would not have made if not for defendants' alleged violation of the law. Relators seek treble damages plus civil penalties and attorneys' fees. On July 12, 2012, the Court granted our motion to dismiss for a lack of jurisdiction, the claims related to incentive compensation and proof of graduation. Thus, the only claim that remained pending against defendants was based on relators' contention that defendants misled the school's accreditor, Southern Association of Colleges and Schools, during the accreditation process. On December 16, 2013, we filed a motion for summary judgment on a variety of substantive grounds. On September 29, 2014, the Court granted our motion for summary judgment and entered judgment in our favor. On October 2, 2014, relators filed a notice of appeal. The appeal is currently stayed.

Because of the many questions of fact and law that may arise on appeal, the outcome of this legal proceeding is uncertain at this point. Based on information available to us at present, we cannot reasonably estimate a range of potential loss, if any, for this action because the complaint does not seek a specified amount of damages and it is unclear how damages would be calculated, if we were to be found liable. Moreover, the case presents novel legal issues. Accordingly, we have not recognized any liability associated with this action.

United States of America, ex rel. Brent M. Nelson v. Career Education Corporation, Sanford-Brown, Ltd., and Ultrasound Technical Services, Inc. On April 18, 2013, defendants were served with an amended complaint filed in the U.S. District Court for the Eastern District of Wisconsin. The original complaint was filed under seal on July 30, 2012 by a former employee of Sanford-Brown College Milwaukee on behalf of himself and the federal government. On February 27, 2013, the Court ordered the complaint unsealed and we were notified that the U.S. Department of Justice declined to intervene in the action. After the federal government declined to intervene in this case, the relator elected to pursue the litigation on behalf of the federal government. If he is successful he would receive a portion of the federal government's recovery. An amended complaint was filed by the relator on April 12, 2013 and alleges violations of the False Claims Act, including allegedly providing false certifications to the federal government regarding compliance with certain provisions of the Higher Education Act and accreditation standards. Relator claims that defendants' conduct caused the government to pay federal funds to defendants, and to make payments to third-party lenders, which the government would not have made if not for defendants' alleged violation of the law. Relator seeks treble damages plus civil penalties and attorneys' fees. On June 11, 2013, defendants filed a motion to dismiss the case on a variety of grounds. The Court ruled on that motion, dismissing CEC from the case and dismissing several of the relator's factual claims. On November 27, 2013, Sanford Brown, LTD., and Ultrasound Technical Services, Inc., the remaining Company defendants, filed a motion to dismiss the case for lack of subject matter jurisdiction due to prior public disclosures of the relator's alleged claims. On March 17, 2014, the Court granted this motion in part, limiting the timeframe and geographical scope of the relator's claims. On June 13, 2014, the Court granted the remaining Company defendants' motion for summary judgment and entered judgment in their favor. On July 9, 2014, relator filed a notice of appeal. On June 8, 2015, the appellate court affirmed the district court on all issues presented in the appeal.

Because of the many questions of fact and law that may arise on appeal, the outcome of this legal proceeding is uncertain at this point. Based on information available to us at present, we cannot reasonably estimate a range of potential loss, if any, for this action because the complaint does not seek a specified amount of damages and it is unclear how damages would be calculated, if we were to be found liable. Accordingly, we have not recognized any liability associated with this action.

United States of America, ex rel. Ann Marie Rega v. Career Education Corporation, et al. On May 16, 2014, Relator Ann Marie Rega, a former employee of Sanford-Brown Iselin, filed an action in the U.S. District Court for the District of New Jersey against the Company and almost all of the Company's individual schools on behalf of herself and the federal government. She alleges claims under the False Claims Act, including allegedly providing false certifications to the federal government regarding compliance with certain provisions of the Higher Education Act and accreditation standards. Relator claims that defendants' conduct caused the government to pay federal funds to defendants, and to make payments to third-party lenders, which the government would not have made if not for defendants' alleged violation of the law. Relator seeks treble damages plus civil penalties and attorneys' fees. Relator failed to comply with the statutory requirement that all False Claims Act cases be filed under seal. On June 16, 2014, defendants filed a motion to dismiss the complaint with prejudice as to relator for failure to file her complaint under seal in accordance with the requirements of the False Claims Act. The motion is fully briefed and the parties are awaiting a ruling from the Court.

Because the matter is in its early stages and because of the many questions of fact and law that may arise, the outcome of this legal proceeding is uncertain at this point. Based on information available to us at present, we cannot reasonably estimate a range of potential loss, if any, for this action because the complaint does not seek a specified amount of damages and it is unclear how damages would be calculated, if we were to be found liable. Moreover, the case presents novel legal issues. Accordingly, we have not recognized any liability associated with this action.

Employment Litigation

Wilson, et al. v. Career Education Corporation. On August 11, 2011, Riley Wilson, a former admissions representative based in Minnesota, filed a complaint in the U.S. District Court for the Northern District of Illinois. The two-count complaint asserts claims of breach of contract and unjust enrichment arising from our decision to terminate our Admissions Representative Supplemental Compensation ("ARSC") Plan. In addition to his individual claims, Wilson also seeks to represent a nationwide class of similarly situated admissions representatives who also were affected by termination of the plan. On October 6, 2011, we filed a motion to dismiss the complaint. On April 13, 2012, the Court granted our motion to dismiss in its entirety and dismissed plaintiff's complaint for failure to state a claim. The Court dismissed this action with prejudice on May 14, 2012. On June 11, 2012, plaintiff filed a notice of appeal with the U.S. Court of Appeals for the Seventh Circuit appealing the final judgment of the trial court. Briefing was completed on October 30, 2012, and oral argument was held on December 3, 2012. On August 30, 2013, the Seventh Circuit affirmed the district court's ruling on plaintiff's unjust enrichment claim but reversed and remanded for further proceedings on plaintiff's breach of contract claim. On September 13, 2013, we filed a petition for rehearing to seek review of the panel's decision on the breach of contract claim and for certification of question to the Illinois Supreme Court, but the petition was denied.

The case now is on remand to the district court for further proceedings on the sole question of whether CEC's termination of the ARSC Plan violated the implied covenant of good faith and fair dealing. The parties have completed fact discovery as to the issue of liability. On March 24, 2015, we filed a motion for summary judgment.

Because of the many questions of fact and law that may arise, the outcome of this legal proceeding is uncertain at this point. Based on information available to us at present, we cannot reasonably estimate a range of potential loss, if any, for this action. Accordingly, we have not recognized any liability associated with this action.

Other Litigation

In addition to the legal proceedings and other matters described above, we are also subject to a variety of other claims, lawsuits and investigations that arise from time to time out of the conduct of our business, including, but not limited to, claims involving prospective students, students or graduates and routine employment matters. While we currently believe that such claims, individually or in aggregate, will not have a material adverse impact on our financial position, cash flows or results of operations, these other matters are subject to inherent uncertainties, and management's view of these matters may change in the future. Were an unfavorable final outcome to occur in any one or more of these matters, there exists the possibility of a material adverse impact on our business, reputation, financial position, cash flows, and the results of operations for the period in which the effect becomes probable and reasonably estimable.

State Investigations

The Attorney General of Connecticut is serving as the point of contact for inquiries received from the attorneys general of the following 17 states: Arkansas, Arizona, Connecticut, Idaho, Iowa, Kentucky, Missouri, Nebraska, North Carolina, Oregon, Pennsylvania, Washington (January 24, 2014); Illinois (December 9, 2011); Tennessee (February 7, 2014), Hawaii (May 28, 2014), New Mexico (May 2014), Maryland (March 16, 2015) and the District of Columbia (June 3, 2015) (these 18 attorneys general are collectively referred to as the "Multi-State AGs"). In addition, the Company has received inquiries from the attorneys general of Florida (November 5, 2010), Massachusetts (September 27, 2012), Colorado (August 27, 2013) and Minnesota (September 18, 2014). The inquiries are civil investigative demands or subpoenas which relate to the investigation by the attorneys general of whether the Company and its schools have complied with certain state consumer protection laws, and generally focus on the Company's practices relating to the recruitment of students, graduate placement statistics, graduate certification and licensing results and student lending activities, among other matters. Depending on the state, the documents and information sought by the attorneys general in connection with their investigations cover time periods as early as 2006 to the present. The Company intends to cooperate with the states involved with a view towards resolving these inquiries as promptly as possible. In this regard, over the past several months the Company has participated in several meetings with representatives of the Multi-State AGs about the Company's business and to engage in a dialogue towards a resolution of these inquiries.

We cannot predict the scope, duration or outcome of these attorney general investigations. At the conclusion of any of these matters, the Company or certain of its schools may be subject to claims of failure to comply with state laws or regulations and may be required to pay significant financial penalties and/or curtail or modify their operations. Other state attorneys general may also initiate inquiries into the Company or its schools. If any of the foregoing occurs, our business, reputation, financial position, cash flows and results of operations could be materially adversely affected. Based on information available to us at present, we cannot reasonably estimate a range of potential monetary or non-monetary impact these investigations might have on the Company because it is uncertain what remedies, if any, these regulators might ultimately seek in connection with these investigations.

In addition to the aforementioned inquiries, from time to time, we receive informal requests from state Attorneys General and other government agencies relating to specific complaints they have received from students or former students which seek information about the student, our programs, and other matters relating to our activities in the relevant state. These requests can be broad and time consuming to respond to, and there is a risk that they could expand and/or lead to a formal inquiry or investigation into our practices in a particular state.

Regulatory Matters

ED Inquiry and HCM1 Status

In December 2011, the U.S. Department of Education ("ED") advised the Company that it is conducting an inquiry concerning possible violations of ED misrepresentation regulations related to placement rates reported by certain of the Company's institutions to accrediting bodies, students and potential students. This inquiry stems from the Company's self-reporting to ED of its internal investigation into student placement determination practices at the Company's previous Health Education segment campuses and review of placement determination practices at all of the Company's other domestic campuses in 2011. The Company has been cooperating with ED in connection with this inquiry. If ED determines that the Company or any of its institutions violated ED misrepresentation regulations with regard to the publication or reporting of placement rates or other disclosures to students or prospective students or finds any other basis in the materials we are providing, ED may revoke, limit, suspend, delay or deny the institution's or all of the Company's institutions Title IV eligibility, or impose fines. In addition, a majority of the Company's institutions are currently in the process of seeking recertification from ED to participate in Title IV Programs. We cannot predict whether, or to what extent, ED's inquiry might impact this recertification process.

In December 2011, ED also moved all of the Company's institutions from the "advance" method of payment of Title IV Program funds to cash monitoring status (referred to as Heightened Cash Monitoring 1, or HCM1, status). Although the Company's prior practices substantially conformed to the requirements of this more restrictive method of drawing down students' Title IV Program funds, if ED finds violations of the HEA or related regulations, ED may impose monetary or program level sanctions, impose some period of delay in the Company's receipt of Title IV funds or transfer the Company's schools to the "reimbursement" or Heightened Cash Monitoring 2 ("HCM2") methods of payment of Title IV Program funds. While on HCM2 status, an institution must disburse its own funds to students, document the students' eligibility for Title IV Program funds and comply with certain waiting period requirements before receiving such funds from ED, which results in a significant delay in receiving those funds. The process of re-establishing a regular schedule of cash receipts for the Title IV Program funds if ED places our schools on "reimbursement" or HCM2 payment status could take several months, and would require us to fund ongoing operations substantially out of existing cash balances. If our existing cash balances are insufficient to sustain us through this transition period, we would need to pursue other sources of liquidity, which may not be available or may be costly.

OIG Audit

Our schools and universities are also subject to periodic audits by various regulatory bodies, including the U.S. Department of Education's Office of Inspector General ("OIG"). The OIG audit services division commenced a compliance audit of CTU in June 2010, covering the period July 5, 2009 to May 16, 2010, to determine whether CTU had policies and procedures to ensure that CTU administered Title IV Program and other federal program funds in accordance with applicable federal law and regulation. On January 13, 2012, the OIG issued a draft report identifying three findings, including one regarding the documentation of attendance of students enrolled in online programs and one regarding the calculation of returns of Title IV Program funds arising from student withdrawals without official notice to the institution. CTU submitted a written response to the OIG, contesting these findings, on March 2, 2012. CTU disagreed with the OIG's proposed determination of what constitutes appropriate documentation or verification of online academic activity during the time period covered by the audit. CTU's response asserted that this finding was based on the retroactive application of standards adopted as part of the program integrity regulations that first went into effect on July 1, 2011. The OIG final report, along with CTU's response to the draft report, was forwarded to ED's Office of Federal Student Aid on September 21, 2012. On October 24, 2012, CTU provided a further response challenging the findings of the report directly to ED's Office of Federal Student Aid. As a result of ED's review of these materials, on January 31, 2013, CTU received a request from ED that it perform two file reviews to determine potential liability on two discrete issues associated with one of the above findings. The first file review relates to any potential aid awarded to students who engaged in virtual classroom attendance activities prior to the official start date of a course and for which no further attendance was registered during the official class term. The second file review relates to students that were awarded and paid Pell funds for enrollment in two concurrent courses, while only registering attendance in one of the two courses. The Company completed these file reviews and provided supporting documentation to ED on April 10, 2013. As of December 31, 2014, the Company has a $0.8 million reserve recorded related to this matter.

13. INCOME TAXES

The components of pretax loss from continuing operations for the year ended December 31, 2014 are as follows (dollars in thousands):

U.S	$(72,504)
Foreign	—
Total	$(72,504)

The provision for income taxes from continuing operations for the year ended December 31, 2014 consists of the following (dollars in thousands):

Current benefit	
Federal	$(10,168)
State and local	(346)
Total current benefit	(10,514)
Deferred provision	
Federal	13,445
State and local	805
Total deferred provision	14,250
Total provision for income taxes	$ 3,736

A reconciliation of the statutory U.S. federal income tax rate to our effective income tax rate for continuing operations for the year ended December 31, 2014 is as follows:

Statutory U.S. federal income tax rate	(35.0)%
State and local income taxes	(4.3)
Nondeductible goodwill	1.1
Valuation allowance	39.0
Federal Audit Settlement	4.5
Other	(0.1)
Effective income tax rate	5.2%

The effective tax rate for the year ended December 31, 2014 decreased by 39.0%, due to a valuation allowance of $71.8 million. The 2014 effective tax rate was negatively impacted by the settlement of a federal income tax audit covering the years ended December 31, 2008 through December 31, 2012.

A reconciliation of the beginning and ending amounts of gross unrecognized tax benefits as of December 31, 2014 is as follows (dollars in thousands):

Gross unrecognized tax benefits, beginning of the year	$13,900
Additions for tax positions of prior years	129
Additions for tax positions related to the current year	931
Reductions due to settlements	(4,064)
Reductions due to lapse of applicable statute of limitations	(1,578)
Subtotal	9,318
Interest and penalties	2,820
Total gross unrecognized tax benefits, end of the year	$12,138

The total amount of net unrecognized tax benefits that, if recognized, would favorably affect the effective tax rate in future periods was $8.0 million for the year ended December 31, 2014. At December 31, 2014, our short and long-term reserves, recorded within current accrued income taxes and other non-current liabilities, respectively, related to FASB's interpretation No. 48 of ASC Topic 740-10, *Accounting for Uncertainty in Income Taxes* or ("FIN 48"), were $1.4 million and $7.9 million, respectively. We record interest and penalties related to unrecognized tax benefits within provision for income taxes on our consolidated statement of loss and comprehensive loss. The total amount of accrued interest and penalties resulting from such unrecognized tax benefits was $2.8 million as of the year ended December 31, 2014. For the year ended December 31, 2014, we recognized less than $0.1 million of benefit, related to interest and penalties from unrecognized tax benefits in our consolidated results of continuing operations.

CEC and its subsidiaries file income tax returns in the U.S. and in various state and local jurisdictions. CEC and its subsidiaries are routinely examined by tax authorities in these jurisdictions. As of December 31, 2014, CEC had been examined by the Internal Revenue Service through our tax year ending December 31, 2012. In addition, a number of state and local examinations are currently ongoing. It is possible that these state examinations may be resolved within twelve months. Due to the potential for resolution of state examinations, and the expiration of various statutes of limitations, it is reasonably possible that CEC's gross unrecognized tax benefits balance may change within the next twelve months by a range of zero to $2.0 million.

Deferred income tax assets and liabilities result primarily from temporary differences in the recognition of various expenses for tax and financial statement purposes, and from the recognition of the tax benefits of net operating loss carry forwards. Components of deferred income tax assets and liabilities for continuing operations as of December 31, 2014 are as follows (dollars in thousands):

Deferred income tax assets:	
Accrued occupancy	$ 1,728
Deferred rent obligations	9,248
Foreign tax credits	32,998
Valuation allowance foreign tax credits	(6,264)
Compensation and employee benefits	14,225
Tax net operating loss carry forwards	34,067
Valuation allowance	(34,067)
Allowance for doubtful accounts	2,269
Covenant not-to-compete	37
Accrued settlements and legal	828
Deferred compensation	1,777
Accrued restructuring and severance	1,070
Equity method for investments	19
General business tax credits	450
Depreciation and amortization	142
Other	822
Valuation allowance deferred tax assets	(55,995)
Total deferred income tax assets	3,354
Deferred income tax liabilities:	
Other	3,354
Total deferred income tax liabilities	3,354
Net deferred income tax assets	$ —

As of December 31, 2014, we have net operating loss carry forwards, for federal and state income tax purposes, of approximately $63.9 million and $247.9 million, respectively. These net operating loss carry forwards are available to offset various future taxable income, if any, and expire between 2015 and 2034. Additionally, we have federal and state net operating loss carrybacks approximating $97.5 million and $3.5 million, respectively. We intend to apply these carrybacks against prior year's taxable income to generate a refund of federal and state tax of approximately $14.1 million and $0.2 million, respectively. The federal net operating loss carryback will also increase the overall domestic loss account balance by approximately $52.3 million and the foreign tax credit carryforward available to reduce the tax attributable to future domestic income by approximately $18.3 million.

In assessing the continued need for a valuation allowance, we consider both positive and negative evidence related to the likelihood of realization of the deferred tax assets. Topic 740 provides that important factors in determining whether a deferred tax asset will be realized are whether there has been sufficient taxable income in recent years and whether sufficient taxable income is expected in future years in order to utilize the deferred tax asset. In evaluating the realizability of deferred income tax assets, we consider, among other things, historical levels of taxable income along with possible sources of future taxable income, which include: the expected timing of the reversals of existing temporary reporting differences, the existence of taxable income in prior carryback year(s), the expected impact of tax planning strategies that may be implemented to prevent the potential loss of future income tax benefits and expected future taxable income. Changes in, among other things, income tax legislation, statutory income tax rates, or future taxable income levels could materially impact our valuation of income tax assets and liabilities and could cause our income tax provision to vary significantly among financial reporting periods. If, based on the weight of available evidence, it is more likely than not the deferred tax assets will not be realized, with placing less weight on projections for future growth as projections for future growth are less objectively verifiable, we record a valuation allowance. The weight given to the positive and negative evidence is commensurate with the extent to which the evidence may be objectively verified. A high degree of judgment is required to determine if, and the extent to which, valuation allowances should be recorded against deferred tax assets. A significant piece of objective negative evidence evaluated is the cumulative loss incurred over the three-year period ended December 31, 2014. Such objective evidence limits the ability to consider other subjective evidence such as our projections for future growth as projections for future growth into the future are less objectively verifiable.

As a result of our assessment, as of December 31, 2014, we continued to record a valuation allowance against our deferred tax assets and increased our valuation allowance by $67.5 million, bringing our cumulative valuation allowance to $150.4 million as of December 31, 2014. For the year ended December 31, 2014, gross valuation allowance expense of $71.8 million is reduced by $4.3 million for various deferred tax adjustments that would otherwise impact Stockholder's Equity. Our total valuation allowance of $150.4 million recorded within our consolidated balance sheet as of December 31, 2014 consists of $96.3 million in continuing operations and $54.1 million from discontinued operations. Included in the valuation allowance total for continuing operations are $6.3 million and $34.1 million recorded for foreign tax credits and net operating loss carryforwards, respectively. The amount of the deferred tax asset considered realizable, however, could be adjusted if estimates of future taxable income during the carryforward period are increased, if objective negative evidence in the form of cumulative losses is no longer present and additional weight may be given to subjective evidence such as our projections for growth. We will continue to evaluate our valuation allowance in future years for any change in circumstances that causes a change in judgment about the realizability of the deferred tax asset.

14. SHARE-BASED COMPENSATION

Overview of Share-Based Compensation Plans

The Career Education Corporation 2008 Incentive Compensation Plan (the "2008 Plan") authorizes awards of stock options, stock appreciation rights, restricted stock, restricted stock units, deferred stock, performance units, annual incentive awards, and substitute awards, which generally may be settled in cash or shares of our common stock. Any shares of our common stock that are subject to awards of stock options or stock appreciation rights payable in shares will be counted as 1.0 share for each share issued for purposes of the aggregate share limit and any shares of our common stock that are subject to any other form of award payable in shares will be counted as 1.67 shares for each share issued for purposes of the aggregate share limit. As of December 31, 2014, there were approximately 6.1 million shares of common stock available for future share-based awards under the 2008 Plan, which is net of 3.8 million shares issuable upon exercise of outstanding options. This amount does not reflect 0.6 million and 0.1 million shares underlying restricted stock units and deferred stock units, respectively, as of December 31, 2014, which will be settled in shares of our common stock if the vesting conditions are met and thus reduce the common stock available for future share-based awards under the 2008 Plan by the amount vested, multiplied by the applicable factor under the plan. The vesting of all types of equity awards (stock options, stock appreciation rights, restricted stock awards and restricted stock units) is subject to possible acceleration in certain circumstances. Generally, if a plan participant terminates employment for any reason other than by death or disability during the vesting period, the right to unvested equity awards is forfeited.

As of December 31, 2014, we estimate that compensation expense of approximately $5.0 million will be recognized over the next four years for all unvested share-based awards that have been granted to participants, including stock options, shares of restricted stock and restricted stock units and deferred stock units to be settled in shares of stock but excluding restricted stock units to be settled in cash.

Stock Options. The exercise price of stock options and stock appreciation rights granted under each of the plans is equal to the fair market value of our common stock on the date of grant. Employee stock options generally become exercisable 25% per year over a four-year service period beginning on the date of grant and expire ten years from the date of grant. Non-employee directors' stock options expire ten years from the date of grant and generally become exercisable as follows: one-fourth on the grant date and one-fourth for each of the first through third anniversary of the grant date. Grants of stock options are generally only subject to the service conditions discussed previously.

Stock option activity during the year ended December 31, 2014 under all of our plans was as follows:

	Options	Weighted Average Exercise Price	Weighted Average Remaining Contractual Term	Aggregate Intrinsic Value (in thousands)
Outstanding as of December 31, 2013	3,900,435	$15.15		
Granted	746,318	6.89		
Exercised	(225,000)	2.72		$ 721
Forfeited	(299,577)	4.94		
Cancelled	(340,212)	39.49		
Outstanding as of December 31, 2014	3,781,964	$12.88	5.8 years	$6,118
Exercisable as of December 31, 2014	2,138,086	$18.87	4.0 years	$2,372

The following table summarizes information with respect to all outstanding and exercisable stock options under all of our plans as of December 31, 2014:

Range of Exercise Prices		Options Outstanding			Options Exercisable	
		Number of Options Outstanding	Weighted Average Exercise Price	Weighted Average Remaining Contractual Term (in Years)	Number Exercisable	Weighted Average Exercise Price
$ 2.20	$ 2.20	644,628	$2.20	8.27	161,157	$2.20
$ 2.62	$ 2.65	96,729	$2.65	8.61	26,403	$2.64
$ 2.72	$ 2.72	403,504	$2.72	4.88	269,626	$2.72
$ 2.82	$ 6.81	628,327	$5.49	8.72	148,344	$4.62
$ 7.33	$ 8.63	590,500	$7.98	6.03	132,933	$8.63
$13.32	$22.04	503,112	$19.12	3.95	484,459	$19.02
$22.13	$30.67	413,564	$27.57	4.98	413,564	$27.57
$30.80	$34.70	454,350	$33.18	1.27	454,350	$33.18
$34.86	$37.76	46,750	$35.30	0.70	46,750	$35.30
$38.28	$38.28	500	$38.28	0.51	500	$38.28
		3,781,964	$12.88	5.77	2,138,086	$18.87

Restricted Stock and Restricted Stock Units to be Settled in Stock. Restricted stock and restricted stock units to be settled in shares of stock generally become fully vested 25% per year over a four-year service period beginning on the date of grant. Certain awards to plan participants referred to as "performance-based" are subject to performance conditions that, even if the requisite service period is met, may reduce the number of shares or units of restricted stock that vest at the end of the requisite service period or result in all shares or units being forfeited.

The following table summarizes information with respect to all outstanding restricted stock and restricted stock units to be settled in shares of stock under our plans during the year ended December 31, 2014:

	Restricted Stock to be Settled in Shares of Stock				
	Shares	Weighted Average Grant-Date Fair Value Per Share	Units	Weighted Average Grant-Date Fair Value Per Unit	Total
Outstanding as of December 31, 2013	221,562	$22.19	538,621	$8.30	760,183
Granted	—	—	318,940	6.57	318,940
Vested	(136,133)	22.94	(135,645)	8.61	(271,778)
Forfeited	(42,677)	20.87	(165,776)	7.90	(208,453)
Outstanding as of December 31, 2014	42,752	$21.63	556,140	$7.35	598,892

Deferred Stock Units to be Settled in Stock. In the second quarter of 2014 and for the first time since inception of any of our plans, we granted deferred stock units to our non-employee directors. The deferred stock units are to be settled in shares of stock and generally vest one-third per year over a three-year service period beginning on the date of grant. Settlement of the deferred stock units and delivery of the underlying shares of stock to the plan participants does not occur until he or she ceases to provide services to the Company in the capacity of a director, employee or consultant.

The following table summarizes information with respect to all deferred stock units during the year to date ended December 31, 2014:

	Deferred Stock Units to be Settled in Shares	Weighted Average Grant-Date Fair Value Per Unit
Outstanding as of December 31, 2013	—	$ —
Granted	116,952	4.39
Vested	—	—
Forfeited	—	—
Outstanding as of December 31, 2014	116,952	$4.39

Restricted Stock Units to be Settled in Cash. Restricted stock units to be settled in cash generally become fully vested 25% per year over a four-year service period beginning on the date of grant. Cash-settled restricted stock units are recorded as liabilities as the expense is recognized and the fair value for these awards is determined at each period end date with changes in fair value recorded in our statement of loss and comprehensive loss in the current period. Cash-settled restricted stock units are settled with a cash payment for each unit vested equal to the closing price on the vesting date. Cash-settled restricted stock units are not included in common shares reserved for issuance or available for issuance under the 2008 plan.

The following table summarizes information with respect to all cash-settled restricted stock units for the year ended December 31, 2014:

	Restricted Stock Units to be Settled in Cash
Outstanding as of December 31, 2013	2,288,915
Granted	981,136
Vested	(755,656)
Forfeited	(671,940)
Outstanding as of December 31, 2014	1,842,455

Upon vesting, based on the conditions set forth in the award agreements, these units will be settled in cash. We valued these units in accordance with the guidance set forth by FASB ASC Topic 718 – *Compensation-Stock Compensation* and recognized $4.8 million of expense for the year to date 2014 for all cash-settled restricted stock units.

Stock-Based Compensation Expense. Total stock-based compensation expense for the year ended December 31, 2014 for all types of awards was as follows (dollars in thousands):

Award Type	
Stock Options	$1,372
Restricted stock or units settled in stock	2,865
Restricted stock units settled in cash	4,514
Stock appreciation rights settled in cash	295
Total stock-based compensation expense	$9,046

Performance Unit Awards. Performance unit awards granted during 2013 and 2014 are long-term incentive, cash-based awards. Payment of these awards is based upon a calculation of Total Shareholder Return ("TSR") of CEC as compared to TSR across a specified peer group of our competitors over a three-year performance period ending primarily on December 31, 2015 and 2016, respectively. These awards are recorded as liabilities as the expense is recognized and fair value for these awards is revalued at each period end date with changes in fair value recorded in our statement of loss and comprehensive loss in the current period. We recorded $3.5 million for expense related to these awards for the year ended December 31, 2014.

Share-Based Awards Assumptions

In accordance with FASB ASC Topic 718, the fair value of each stock option award is estimated on the date of grant using the Black-Scholes-Merton option pricing model. We recognize the value of share-based compensation as expense in our consolidated statement of loss and comprehensive loss during the vesting periods of the underlying share-based awards using the straight-line method. FASB ASC Topic 718 requires companies to estimate forfeitures of share-based awards at the time of grant and revise such estimates in subsequent periods if actual forfeitures differ from original projections.

The fair value of each stock option award granted during the year ended December 31, 2014 was estimated on the date of grant using the Black-Scholes-Merton option pricing model. Our determination of the fair value of each stock option is affected by our stock price on the date of grant, as well as assumptions regarding a number of highly complex and subjective variables. These variables include, but are not limited to, our expected stock price volatility over the expected life of the awards and actual and projected stock option exercise behavior. The weighted average fair value per share of stock option awards granted during the year ended December 31, 2014, and assumptions used to value stock options are as follows:

Dividend yield	—
Risk-free interest rate	1.4%
Weighted average volatility	73.0%
Expected life (in years)	4.3
Weighted average grant date fair value per share of options granted	$3.89

Volatility is calculated based on the actual historical daily prices of our common stock over the expected term of the stock option award. During the year ended December 31, 2014, we utilized a range of expected volatility assumptions for purposes of estimating the fair value of stock options awarded during the period. Such volatility assumptions ranged from 72.9% to 74.0%.

The expected life of each stock option award is estimated based primarily on our actual historical director and employee exercise behavior.

The fair value of each share of restricted stock and restricted stock units to be settled in stock is equal to the fair market value of our common stock as of the date of grant, which is the closing price per share of our common stock on NASDAQ.

15. WEIGHTED AVERAGE COMMON SHARES

Basic net loss per share is calculated by dividing net loss by the weighted average number of common shares outstanding for the period. Diluted earnings per share is computed by dividing net loss by the weighted average number of shares assuming dilution. Dilutive common shares outstanding is computed using the Treasury Stock Method and reflects the additional shares that would be outstanding if dilutive stock options were exercised and restricted stock and restricted stock units were settled for common shares during the period.

Due to the fact that we reported a loss from continuing operations for the year ended December 31, 2014, potential common stock equivalents are excluded from the diluted common shares outstanding calculation. Per FASB ASC Topic 260 – *Earnings Per Share*, an entity that reports discontinued operations shall use income or loss from continuing operations as the benchmark for calculating diluted common shares outstanding, and as such, we have zero common stock equivalents since these shares would have an anti-dilutive effect on our net loss per share for the year ended December 31, 2014.

In addition to the common stock issued upon the exercise of employee stock options, the granting of restricted stock and the vesting of restricted stock units to be settled in stock, we issued approximately 0.1 million shares for the year ended December 31, 2014, upon the purchase of common stock pursuant to our employee stock purchase plan.

16. EMPLOYEE BENEFIT PLANS

Retirement Savings and Profit Sharing Plan

We maintain a defined contribution 401(k) retirement savings plan which is available to all employees who work greater than 1,000 hours in a fiscal year. Under the plan, an eligible employee may elect to defer receipt of a portion of their annual pay, including salary and bonus. During 2014, we contributed this amount to the plan on the employee's behalf and also made a matching contribution equal to 50% of the first 2% and 25% of the next 4% of the percentage of annual pay that the employee elected to defer. A participant is 100% vested at all times in the amounts the employee defers from annual pay. A participant becomes 100% vested in our matching contributions after two years of credited employee service. During the year ended December 31, 2014, we recorded expense for continuing and discontinued operations under this plan of approximately $3.8 million, net of any forfeited employer matching contributions.

Employee Stock Purchase Plan

We maintain an employee stock purchase plan that allows substantially all full-time and part-time employees to acquire shares of our common stock through payroll deductions over three-month offering periods. The per share purchase price is equal to 95% of the fair market value of a share of our common stock on the last day of the offering period, and purchases are limited to 10% of an employee's salary, up to a maximum of $25,000 per calendar year. We are authorized to issue up to 4.0 million shares of common stock under the employee stock purchase plan, and, as of December 31, 2014, 3.1 million shares of common stock have been issued under the plan.

Share-based compensation expense recorded during the year ended December 31, 2014, in connection with the compensatory elements of our employee stock purchase plan, was not significant.

17. SEGMENT REPORTING

Our segments are determined in accordance with FASB ASC Topic 280 – *Segment Reporting* and are based upon how the Company analyzes performance and makes decisions. Each segment represents a group of postsecondary education providers that offer a variety of degree and non-degree academic programs. These segments are organized by key market segments to enhance brand focus and operational alignment within each segment to more effectively execute our strategic plan.

During the fourth quarter of 2014, we made the decision to commit to a plan of sale of our Le Cordon Bleu Culinary Arts institutions. As we anticipate the sale of these assets to be completed within one year, we have recorded the assets and liabilities related to these institutions within current assets and liabilities of discontinued operations as of December 31, 2014. See Note 4 "Discontinued Operations" to our consolidated financial statements. Accordingly, the results of operations for the Culinary Arts segment are now reported within discontinued operations.

During 2014, we announced the teach-out of three additional campuses within our Career Colleges segment. These campuses are now included within our Transitional Group segment. In addition, during 2014 we completed the teach-out of 21 campuses, and accordingly, the results of operations for these campuses are now reported within discontinued operations.

Our four reporting segments are described below.

University Group:

Colorado Technical University (CTU) places a strong focus on providing industry-relevant degree programs to meet the needs of our students for employment and of employers for a well-educated workforce and collectively offers academic programs in the career-oriented disciplines of business studies, information systems and technologies, criminal justice, computer science and engineering, and health sciences. Students pursue their degrees through local campuses, fully-online programs through CTU Online and blended formats, which combine campus-based and online education. As of December 31, 2014, students enrolled at CTU represented approximately 49% of our total enrollments. Approximately 90% of CTU's enrollments are fully online.

American InterContinental University (AIU) focuses on helping busy professionals get the degree they need to move forward in their career as efficiently as possible and collectively offers academic programs in the career-oriented disciplines of business studies, information technologies, criminal justice and design technologies. Students pursue their degrees through local campuses, fully-online programs through AIU Online and blended formats, which combine campus-based and online education. As of December 31, 2014, students enrolled at AIU represented approximately 28% of our total enrollments. Approximately 90% of AIU's enrollments are fully online.

Career Colleges Group includes Briarcliffe College, Brooks Institute, Harrington College of Design, Missouri College and our Sanford-Brown institutions. The Career Colleges group collectively offers academic programs primarily in the career-oriented discipline of health education complemented by certain programs in business studies and information technology, as well as visual communications, fashion design, photography, interior design, graphic design and video production. Students pursue their degrees through local campuses, fully-online programs through SBC Online and blended formats, which combine campus-based and online education. As of December 31, 2014, students enrolled within our Career Colleges represented approximately 21% of our total enrollments. Approximately 15% of Career College's enrollments are fully online.

Transitional Group includes our campuses that are currently being taught out. These campuses employ a gradual teach-out process, enabling them to continue to operate while current students complete their course of study; they no longer enroll new students. The 12 remaining campuses within the Transitional Group as of December 31, 2014 will complete their teach-outs on varying dates through 2017.

We evaluate segment performance based on operating results. Adjustments to reconcile segment results to consolidated results are included under the caption "Corporate and Other," which primarily includes unallocated corporate activity and eliminations.

Summary financial information by reporting segment is as follows (dollars in thousands):

	Revenue	Operating (Loss) Income	Depreciation and Amortization	Capital Expenditures	Total Assets [4]
For the Year Ended December 31, 2014 [1]					
CTU	$336,573	$ 69,492	$ 2,627	$ 628	$ 73,458
AIU	198,896	(9,412)	2,329	916	51,755
Total University Group	535,469	60,080	4,956	1,544	125,213
Career Colleges [2]	172,833	(73,753)	9,227	4,620	29,365
Corporate and Other [3]	230	(21,169)	17,455	4,545	332,672
Subtotal	708,532	(34,842)	31,638	10,709	487,250
Transitional Group	32,826	(37,874)	4,381	155	7,990
Discontinued Operations				2,292	78,294
Total	$741,358	$(72,716)	$36,019	$13,156	$573,534

(1) The statement of loss and comprehensive loss balances including revenue, operating loss and depreciation and amortization are presented above on a continuing operations basis. Total assets and capital expenditures are presented on a consolidated basis including continuing and discontinued operations.

For the year ended December 31, 2014, segment results included:

(2) Career Colleges: $14.5 million related to long-lived asset impairment and a $2.2 million trade name impairment charge.

(3) Corporate and Other: $8.6 million of income related to an insurance recovery.

(4) Total assets do not include intercompany receivables or payable activity between institutions and corporate and investment in subsidiaries.

18. QUARTERLY FINANCIAL SUMMARY (UNAUDITED)

Summary financial information by quarter is as follows (dollars in thousands, except per share data):

2014	Quarter First	Second [3]	Third [4]	Fourth [5]	Total Year
Revenue [1]	$198,154	$186,172	$182,825	$174,207	$ 741,358
Operating loss [1]	(21,949)	(11,251)	(31,732)	(7,784)	$ (72,716)
Net loss	(58,143)	(46,564)	(47,968)	(25,488)	$(178,163)
Net loss per share [2]					
Basic and Diluted	$ (0.87)	$ (0.69)	$ (0.71)	$ (0.38)	$ (2.65)

(1) As of December 31, 2014, the results of operations for our Culinary Arts campuses that are held for sale as well as campuses that were taught out or institutions that were sold during 2014 (see Note 2 "Summary of Significant Accounting Polices" for further information), along with our campuses that had previously ceased operations or were sold and are considered distinct operations, are presented within discontinued operations for all periods presented.

(2) Basic and diluted earnings per share are calculated independently for each of the quarters presented. Accordingly, the sum of the quarterly earnings per share amounts may not agree with the annual earnings per share amount for the corresponding year.

(3) Second quarter of 2014 net loss included $7.4 million of trade name impairment charges within loss from discontinued operations.

(4) Third quarter of 2014 net loss included $3.0 million of trade name impairments (of which $1.5 million was recorded within loss from discontinued operations), $11.5 million of asset impairment charges and $8.6 million of income related to an insurance recovery.

(5) Fourth quarter of 2014 net loss included $14.2 million of trade name and asset impairment charges, of which $10.3 million was recorded within loss from discontinued operations. Additionally, the fourth quarter of 2014 included a decrease of $9.4 million of revenue, a decrease of $7.5 million of bad debt expense and a $0.5 million increase to the loss from discontinued operations for a cumulative adjustment related to revenue recognition for withdrawn students. See Note 2 "Summary of Significant Accounting Policies – g. Revenue Recognition" for more information.

19. SUBSEQUENT EVENT

In the first quarter of 2015, Scott W. Steffey resigned from his positions as President and Chief Executive Officer and as a member of the Board of Directors (the "Board") of Career Education Corporation and all other positions held at the Company and its affiliates. The Board appointed Ronald D. McCray, as Interim President and Chief Executive Officer of the Company. Mr. McCray will lead the Company while a search for a new President and Chief Executive Officer is conducted. Mr. McCray continues to serve as Chairman and as a member of the Board.

In connection with the termination of his employment, Mr. Steffey and the Company entered into a Separation and Release Agreement (the "Separation Agreement") effective as of February 12, 2015. Under the terms of the Separation Agreement, the Company will pay Mr. Steffey $2.5 million in consideration for the cancellation of Mr. Steffey's outstanding or promised equity and incentive awards, vested and unvested, including but not limited to, stock options, cash-settled stock appreciation rights, cash-settled restricted stock units, restricted stock units and performance units. The $2.5 million payment takes into account Mr. Steffey's vested equity grants; the acceleration of equity grants due to vest on March 14, 2015; and the 2014 Annual Incentive Plan Bonus, offset by Mr. Steffey's repayment of the portion of the sign-on award provided under the terms of the Employment Agreement entered into between Mr. Steffey and the Company on April 1, 2013 (the "Employment Agreement") and Mr. Steffey's repayment of certain travel and other expenses due the Company. The $2.5 million payment is not expected to have a material impact on the Company's 2015 financial performance or financial position as the majority of expenses related to the payment had been previously recorded as of December 31, 2014.

The Company has made the strategic decision to focus its resources and attention on its universities – Colorado Technical University (CTU) and American InterContinental University (AIU) – where the company sees significant opportunity to provide quality higher education to the adult student market. In connection with that decision, on May 1, 2015, the Board of Directors approved the teach-out of the Company's remaining 15 Sanford-Brown campuses and the pursuit of divestiture options for the three additional Career College campuses: Briarcliffe College, Brooks Institute and Missouri College. If a sale of the three additional Career College campuses is not successful, they will be taught out. As part of the process to wind down the Career Colleges segment, the Company also announced that it will align its corporate overhead to support a more streamlined and focused operating entity. The Career College segment contributed $172.8 million of revenue and approximately $73.8 million of operating losses for the year ended December 31, 2014. The campuses will remain open to offer current students the reasonable opportunity to complete their course of study. The majority of these campuses are expected to cease operations by 2017 with the remainder expected to cease operations in 2018. The total estimated costs associated with these teach-out and divestiture restructuring activities are expected to be approximately $40 million -$50 million. These costs primarily relate to severance charges (approximately $20 – $25 million) and costs associated with exiting lease obligations (approximately $20 – $25 million). These estimated charges are based on several assumptions, including timing of campus teach-outs, sales of campuses and implementation of support services realignment, and are subject to change. These charges will result in future cash expenditures through 2018 for the severance related charges and through 2023 for lease obligations as certain campuses have lease terms ranging beyond their anticipated teach-out completion date. The severance and related charges will primarily be recorded during the second quarter of 2015 and the lease charges will be recorded at the time each facility is vacated.

Supplemental Schedules

CAREER EDUCATION CORPORATION AND SUBSIDIARIES
CONTENTS – SUPPLEMENTAL SCHEDULES

CAREER EDUCATION CORPORATION AND SUBSIDIARIES
SCHEDULE I – REGULATORY INFORMATION

U.S. – Accredited Schools:

School, OPE Number, Main Campus Location *(Additional locations as defined by accreditors are in parentheses)*	Accreditor [1]	Year of Accreditation Expiration [2]
American InterContinental University, Inc. **OPE #02113600** Schaumburg, IL (Online) (*Atlanta, GA; Weston, FL; Houston, TX*)	HLC	2024
Briarcliffe College, Inc. **OPE #02075700** Bethpage, NY (Includes Online) *(Patchogue, NY)*	MSCHE	2022
Brooks Institute of Photography, L.L.C. d/b/a Brooks Institute **OPE #00112300** Ventura, CA	ACICS	2016
California Culinary Academy, L.L.C. d/b/a Le Cordon Bleu College of Culinary Arts [8] **OPE #02220200** San Francisco, CA	ACCSC/ ACICS	2015 2020
Colorado Technical University, Inc. **OPE #01014800** Colorado Springs, CO *(Denver, CO; Sioux Falls [6], SD; Online)*	HLC	2022
The Cooking & Hospitality Institute of Chicago, Inc. d/b/a Le Cordon Bleu College of Culinary Arts in Chicago [8] **OPE #02352200** Chicago, IL	HLC	2018
Harrington Institute of Interior Design, Inc. d/b/a Harrington College of Design [6] **OPE #02055200** Chicago, IL	HLC	2024
International Academy of Merchandising & Design, Inc. (Tampa) d/b/a Sanford-Brown College [6] **OPE #03031400** Tampa, FL *(Orlando, FL; Henderson, NV; San Antonio, TX; Seattle, WA; and Online; IADT Sacramento, Sacramento, CA)*	ACICS	2019
The Katharine Gibbs Corporation – Melville d/b/a SBI Campus – an affiliate of Sanford-Brown [6] **OPE #01164700** Melville, NY	ACICS	2019
The Katharine Gibbs School of Norwalk, Inc. d/b/a Sanford-Brown College [5] **OPE #01287700** Farmington, CT	ACICS	2014

U.S. – Accredited Schools (continued):

School, OPE Number, Main Campus Location *(Additional locations as defined by accreditors are in parentheses)*	Accreditor [1]	Year of Accreditation Expiration [2]
Le Cordon Bleu North America, L.L.C. – Austin d/b/a Le Cordon Bleu College of Culinary Arts [8] **OPE #02569300** Austin, TX *(Dallas, TX; Sacramento, CA; Seattle, WA; and St. Peters, MO)*	ACICS	2017
Le Cordon Bleu North America, L.L.C. – Pasadena d/b/a Le Cordon Bleu College of Culinary Arts [8] **OPE #03210300** Pasadena, CA	ACICS	2017
Le Cordon Bleu North America, L.L.C. – Portland d/b/a Le Cordon Bleu College of Culinary Arts [8] **OPE #03022600** Portland, OR *(Tucker, GA; Mendota Heights, MN)*	ACICS	2020
Missouri College, Inc. **OPE #00979500** Brentwood, MO	ACICS	2019
Sanford-Brown College, Inc., a private two-year college [5] **OPE #00748100** Boston, MA	ACICS	2014
Sanford-Brown College, L.L.C. [5] **OPE #02205200** Fenton, MO *(St. Peters, MO)*	ACICS	2017
Sanford-Brown College, MN, Inc. [3] [6] **OPE #00735100** Mendota Heights, MN (*Brooklyn Center, MN* [10])	ACICS	2020
Sanford-Brown Group, Inc. (IL) [4] [6] **OPE #02160300** Chicago, IL *(IADT Detroit, Troy, MI* [11]*; IADT Nashville, Nashville, TN* [11]*; Collins College, Phoenix, AZ* [11]*)*	ACICS	2019
Sanford-Brown, Ltd. – Atlanta d/b/a Sanford-Brown College [6] **OPE #02116000** Atlanta, GA [10] *(Ft. Lauderdale, FL* [10]*; Houston, TX; Middleburg Heights, OH* [5]*; Sanford-Brown Institute, New York, NY* [10]*)*	ACICS	2020
Sanford-Brown, Ltd. – Dallas d/b/a Sanford-Brown College [6] **OPE #02615000** Dallas, TX *(Sanford-Brown Institute, Garden City, NY)*	ACICS	2017

U.S. – Accredited Schools (continued):

School, OPE Number, Main Campus Location *(Additional locations as defined by accreditors are in parentheses)*	Accreditor [(1)]	Year of Accreditation Expiration [(2)]
Sanford-Brown, Ltd. – Jacksonville d/b/a Sanford-Brown Institute [(6)] **OPE #02616400** Jacksonville, FL *(Sanford-Brown Institute, Iselin, NJ)*	ACICS	2020
Sanford-Brown Ltd. – McLean d/b/a Sanford-Brown College [(6)] **OPE #00942000** McLean, VA	ACICS	2015
Sanford-Brown, Ltd. – White Plains d/b/a Sanford-Brown Institute [(5)] **OPE #02614900** White Plains, NY	ACICS	2017
Scottsdale Culinary Institute, Ltd. d/b/a Le Cordon Bleu College of Culinary Arts [(8)] **OPE #02616700** Scottsdale, AZ *(includes Online) (Cambridge, MA; Las Vegas,NV; Miramar, FL[(7)]; and Orlando, FL[(9)])*	ACCSC/ ACICS	2015 2019

(1) Below is a key to the accreditation abbreviations used in the table:

a. ACCSC – Accrediting Commission of Career Schools and Colleges

b. ACICS – Accrediting Council for Independent Colleges and Schools

c. MSCHE – Middle States Association of Colleges and Schools, Commission on Higher Education

d. HLC – North Central Association of Colleges and Schools, Higher Learning Commission

(2) Status as of June 5, 2015. Institutions seek renewal of accreditation during the year noted.

(3) Effective March 31, 2014, this OPEID was renamed Sanford-Brown College, MN, Inc.

(4) Effective March 31, 2014, this OPEID was renamed Sanford-Brown Group, Inc.

(5) These campuses have completed their teach-out as of the filing of this annual report with the Department of Education.

(6) As of June 1, 2015 these OPEIDs are in the process of teach-out and are expected to cease operations through varying dates by 2018.

(7) ACCSC accreditation for the Miramar branch campus expires in 2016.

(8) These campuses are held for sale as of December 31, 2014.

(9) LCB Orlando's accreditation was approved to be reassigned from SBC Tampa main campus to LCB Scottsdale during the fourth quarter of 2014. Final approval from ED is pending.

(10) ACICS accreditation for the Atlanta, Brooklyn Center, Ft. Lauderdale, and New York campuses expires in 2019.

(11) ACICS accreditation for the IADT Detroit, IADT Nashville, and Collins College campuses expires in 2020.

Unaccredited U.S. Schools, and Non-School Entities:

Other and Eliminations – Includes CEC's corporate headquarters located in Schaumburg, IL, non-school entities, and holding companies, which are subsidiaries of CEC. Eliminations are also included in this category which represents intercompany amounts eliminated between category headings to properly present consolidated financial statements net of intercompany activity that is shown gross by OPE.

CAREER EDUCATION CORPORATION AND SUBSIDIARIES

SCHEDULE II – CONSOLIDATED BALANCE SHEET WITH CONSOLIDATING DATA

As of December 31, 2014
(In thousands)

	American InterContinental University, Inc. (OPE #02113600)	Briarcliffe College, Inc. (OPE #02075700)	Brooks Institute of Photography, L.L.C. (OPE #00112300)	California Culinary Academy, L.L.C. (OPE #02220200)	Colorado Technical University, Inc. (OPE #01014800)
ASSETS					
CURRENT ASSETS:					
Cash and cash equivalents, unrestricted	$ 17	$ 12	$ -	$ -	$ 9
Restricted cash	-	-	-	-	-
Short-term investments	-	-	-	-	-
Receivables:					
Students, net of allowance for doubtful accounts	4,716	1,291	213	-	13,561
Other, net	27	3	13	-	70
Prepaid expenses	754	569	200	-	1,064
Inventories	183	398	14	-	580
Other current assets	920	-	160	-	300
Assets of discontinued operations [1]	-	-	-	22,039	9
Total current assets	6,617	2,273	600	22,039	15,593
NON-CURRENT ASSETS:					
Due from affiliated entities [3]	100,307	51,102	3,933	-	175,450
Property and equipment, net	3,522	2,755	-	-	4,190
Goodwill	41,419	-	-	-	45,937
Intangible assets, net	-	-	-	-	7,900
Student receivables, net of allowance for doubtful accounts	156	32	23	-	240
Investments in subsidiaries	(35,656)	-	-	-	-
Other assets, net	58	285	160	-	-
Assets of discontinued operations [1]	-	-	-	-	-
TOTAL ASSETS	$ 116,423	$ 56,447	$ 4,716	$ 22,039	$ 249,310
LIABILITIES AND STOCKHOLDERS' EQUITY					
CURRENT LIABILITIES:					
Short-term borrowings	$ -	$ -	$ -	$ -	$ -
Accounts payable	869	388	201	-	2,446
Accrued expenses:					
Payroll and related benefits	38	1	81	-	573
Advertising and production costs	401	139	42	-	491
Income taxes [2]	-	-	-	-	-
Other	1,026	495	111	-	1,294
Deferred tuition revenue	8,204	812	527	-	13,215
Liabilities of discontinued operations [1]	1,424	-	-	7,606	13
Total current liabilities	11,962	1,835	962	7,606	18,032
NON-CURRENT LIABILITIES:					
Due to affiliated entities [3]	-	-	-	-	-
Deferred rent obligations	2,934	1,883	927	-	2,335
Other liabilities	52	-	91	-	21
Liabilities of discontinued operations [1]	26,350	-	-	-	30,155
Total non-current liabilities	29,336	1,883	1,018	-	32,511
STOCKHOLDERS' EQUITY:					
Preferred stock	-	-	-	-	-
Common stock	1	1	-	1	184
Additional paid-in capital	111,271	31,985	17,572	66,624	61,740
Accumulated other comprehensive income (loss)	2,117	-	-	-	-
Retained earnings (deficit)	(38,264)	20,743	(14,836)	(52,192)	136,843
Cost of shares in treasury	-	-	-	-	-
Total stockholders' equity	75,125	52,729	2,736	14,433	198,767
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	$ 116,423	$ 56,447	$ 4,716	$ 22,039	$ 249,310

(1) Assets of discontinued operations and liabilities of discontinued operations are included to reflect our accounting treatment of discontinued operations. Refer to Note 4 "Discontinued Operations" of the notes to our consolidated financial statements for additional information on our discontinued operations.

(2) Income taxes are provided for on a legal entity basis. The schools and additional locations reported under each OPEID may be comprised of several different legal entities, reflecting varying effective tax rates.

(3) CEC and its subsidiaries utilize a consolidated cash management policy, under which CEC advances funds to support the operations of each of its schools and also borrows excess operating cash from its schools to effectively manage its consolidated cash position or to minimize consolidated interest costs. Such advances and borrowings have been duly secured pursuant to a revolving loan and agreement effective January 1, 2009.

CAREER EDUCATION CORPORATION AND SUBSIDIARIES

SCHEDULE II – CONSOLIDATED BALANCE SHEET WITH CONSOLIDATING DATA (continued)

As of December 31, 2014
(In thousands)

	The Cooking & Hospitality Institute of Chicago, Inc. (OPE #02352200)	Harrington Institute of Interior Design, Inc. (OPE #02055200)	International Academy of Merchandising & Design, Inc. (Tampa) (OPE #03031400)	The Katharine Gibbs Corporation – Melville (OPE #01164700)	The Katharine Gibbs School of Norwalk, Inc. (OPE #01287700)
ASSETS					
CURRENT ASSETS:					
Cash and cash equivalents, unrestricted	$ -	$ 15	$ 87	$ 2	$ -
Restricted cash	-	-	-	-	-
Short-term investments	-	-	-	-	-
Receivables:					
Students, net of allowance for doubtful accounts	-	204	1,758	89	-
Other, net	-	2	45	4	-
Prepaid expenses	-	264	618	64	-
Inventories	-	32	789	45	-
Other current assets	-	-	-	-	-
Assets of discontinued operations (1)	17,861	-	11,997	1	16
Total current assets	17,861	517	15,294	205	16
NON-CURRENT ASSETS:					
Due from affiliated entities (3)	-	2,435	6,970	7,923	-
Property and equipment, net	-	1,078	4,379	379	-
Goodwill	-	-	-	-	-
Intangible assets, net	-	-	-	-	-
Student receivables, net of allowance for doubtful accounts	-	39	76	1	-
Investments in subsidiaries	-	-	29,593	-	-
Other assets, net	-	-	247	-	-
Assets of discontinued operations (1)	-	-	-	3,897	866
TOTAL ASSETS	$ 17,861	$ 4,069	$ 56,559	$ 12,405	$ 882
LIABILITIES AND STOCKHOLDERS' EQUITY					
CURRENT LIABILITIES:					
Short-term borrowings	$ -	$ -	$ -	$ -	$ -
Accounts payable	-	18	412	16	-
Accrued expenses:					
Payroll and related benefits	-	-	1	-	-
Advertising and production costs	-	18	83	54	-
Income taxes (2)	-	-	-	-	-
Other	-	57	410	30	-
Deferred tuition revenue	-	83	4,752	382	-
Liabilities of discontinued operations (1)	3,109	-	4,507	1,580	9
Total current liabilities	3,109	176	10,165	2,062	9
NON-CURRENT LIABILITIES:					
Due to affiliated entities (3)	-	-	-	-	-
Deferred rent obligations	-	759	3,610	369	-
Other liabilities	-	-	377	-	-
Liabilities of discontinued operations (1)	-	-	5,200	3,061	-
Total non-current liabilities	-	759	9,187	3,430	-
STOCKHOLDERS' EQUITY:					
Preferred stock	-	-	-	-	-
Common stock	1	1	1	-	-
Additional paid-in capital	9,674	11,925	67,857	24,507	19,596
Accumulated other comprehensive income (loss)	1	2	(14)	-	-
Retained earnings (deficit)	5,076	(8,794)	(30,637)	(17,594)	(18,723)
Cost of shares in treasury	-	-	-	-	-
Total stockholders' equity	14,752	3,134	37,207	6,913	873
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	$ 17,861	$ 4,069	$ 56,559	$ 12,405	$ 882

(1) Assets of discontinued operations and liabilities of discontinued operations are included to reflect our accounting treatment of discontinued operations. Refer to Note 4 "Discontinued Operations" of the notes to our consolidated financial statements for additional information on our discontinued operations.

(2) Income taxes are provided for on a legal entity basis. The schools and additional locations reported under each OPEID may be comprised of several different legal entities, reflecting varying effective tax rates.

(3) CEC and its subsidiaries utilize a consolidated cash management policy, under which CEC advances funds to support the operations of each of its schools and also borrows excess operating cash from its schools to effectively manage its consolidated cash position or to minimize consolidated interest costs. Such advances and borrowings have been duly secured pursuant to a revolving loan and agreement effective January 1, 2009.

CAREER EDUCATION CORPORATION AND SUBSIDIARIES

SCHEDULE II – CONSOLIDATED BALANCE SHEET WITH CONSOLIDATING DATA (continued)

As of December 31, 2014
(In thousands)

	Le Cordon Bleu North America, L.L.C. – Austin (OPE #02569300)	Le Cordon Bleu North America, L.L.C. – Pasadena (OPE #03210300)	Le Cordon Bleu North America, L.L.C. – Portland (OPE #03022600)	Missouri College, Inc. (OPE #00979500)	Sanford-Brown College, Inc., a private two-year college (OPE #00748100)
ASSETS					
CURRENT ASSETS:					
Cash and cash equivalents, unrestricted	$ -	$ -	$ -	$ 3	$ -
Restricted cash	-	-	-	-	-
Short-term investments	-	-	-	-	-
Receivables:					
Students, net of allowance for doubtful accounts	-	-	-	231	-
Other, net	-	-	-	-	-
Prepaid expenses	-	-	-	97	-
Inventories	-	-	-	48	-
Other current assets	-	-	-	-	-
Assets of discontinued operations [1]	40,999	154,532	45,791	-	8
Total current assets	40,999	154,532	45,791	379	8
NON-CURRENT ASSETS:					
Due from affiliated entities [3]	-	-	-	3,988	-
Property and equipment, net	-	-	-	441	-
Goodwill	-	-	-	-	-
Intangible assets, net	-	-	-	219	-
Student receivables, net of allowance for doubtful accounts	-	-	-	2	-
Investments in subsidiaries	-	-	-	-	-
Other assets, net	-	-	-	-	-
Assets of discontinued operations [1]	4,239	1,974	-	-	13,154
TOTAL ASSETS	$ 45,238	$ 156,506	$ 45,791	$ 5,029	$ 13,162
LIABILITIES AND STOCKHOLDERS' EQUITY					
CURRENT LIABILITIES:					
Short-term borrowings	$ -	$ -	$ -	$ -	$ -
Accounts payable	-	-	-	86	-
Accrued expenses:					
Payroll and related benefits	-	-	-	-	-
Advertising and production costs	-	-	-	35	-
Income taxes [2]	-	-	-	-	-
Other	-	-	-	43	-
Deferred tuition revenue	-	-	-	1,064	-
Liabilities of discontinued operations [1]	6,196	45,802	7,593	-	59
Total current liabilities	6,196	45,802	7,593	1,228	59
NON-CURRENT LIABILITIES:					
Due to affiliated entities [3]	-	102	-	-	-
Deferred rent obligations	-	-	-	753	-
Other liabilities	-	-	-	-	-
Liabilities of discontinued operations [1]	-	750	-	-	-
Total non-current liabilities	-	852	-	753	-
STOCKHOLDERS' EQUITY:					
Preferred stock	-	-	3,400	-	-
Common stock	1	1	1	-	-
Additional paid-in capital	43,915	201,838	19,604	9,439	19,059
Accumulated other comprehensive income (loss)	1	1	3	(1)	-
Retained earnings (deficit)	(4,875)	(91,988)	15,190	(6,390)	(5,956)
Cost of shares in treasury	-	-	-	-	-
Total stockholders' equity	39,042	109,852	38,198	3,048	13,103
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	$ 45,238	$ 156,506	$ 45,791	$ 5,029	$ 13,162

(1) Assets of discontinued operations and liabilities of discontinued operations are included to reflect our accounting treatment of discontinued operations. Refer to Note 4 "Discontinued Operations" of the notes to our consolidated financial statements for additional information on our discontinued operations.

(2) Income taxes are provided for on a legal entity basis. The schools and additional locations reported under each OPEID may be comprised of several different legal entities, reflecting varying effective tax rates.

(3) CEC and its subsidiaries utilize a consolidated cash management policy, under which CEC advances funds to support the operations of each of its schools and also borrows excess operating cash from its schools to effectively manage its consolidated cash position or to minimize consolidated interest costs. Such advances and borrowings have been duly secured pursuant to a revolving loan and agreement effective January 1, 2009.

CAREER EDUCATION CORPORATION AND SUBSIDIARIES

SCHEDULE II – CONSOLIDATED BALANCE SHEET WITH CONSOLIDATING DATA (continued)

As of December 31, 2014
(In thousands)

	Sanford-Brown College, L.L.C. (OPE #02205200)	Sanford-Brown College, MN, Inc. (4) (OPE #00735100)	Sanford-Brown Group, Inc. (IL) (5) (OPE #02160300)	Sanford-Brown, Ltd.- Atlanta (OPE #02116000)	Sanford-Brown, Ltd.- Dallas (OPE #02615000)
ASSETS					
CURRENT ASSETS:					
Cash and cash equivalents, unrestricted	$ 4	$ 10	$ -	$ -	$ -
Restricted cash	-	-	-	-	-
Short-term investments	-	-	-	-	-
Receivables:					
Students, net of allowance for doubtful accounts	47	118	385	915	501
Other, net	1	6	24	66	12
Prepaid expenses	150	100	564	433	123
Inventories	-	55	133	241	93
Other current assets	-	-	19	-	403
Assets of discontinued operations (1)	19	-	9	1	-
Total current assets	221	289	1,134	1,656	1,132
NON-CURRENT ASSETS:					
Due from affiliated entities (3)	18,767	5,107	39,526	69,101	5,567
Property and equipment, net	19	1,067	1,976	5,722	2,297
Goodwill	-	-	-	-	-
Intangible assets, net	1,700	-	-	-	-
Student receivables, net of allowance for doubtful accounts	2	29	78	28	22
Investments in subsidiaries	-	-	3,564	-	-
Other assets, net	-	5	643	15	-
Assets of discontinued operations (1)	5,681	-	-	-	-
TOTAL ASSETS	$ 26,390	$ 6,497	$ 46,921	$ 76,522	$ 9,018
LIABILITIES AND STOCKHOLDERS' EQUITY					
CURRENT LIABILITIES:					
Short-term borrowings	$ -	$ -	$ -	$ -	$ -
Accounts payable	13	53	199	322	130
Accrued expenses:					
Payroll and related benefits	-	-	15	3	10
Advertising and production costs	-	40	-	57	29
Income taxes (2)	-	-	-	-	-
Other	20	72	2,887	226	77
Deferred tuition revenue	12	597	884	3,969	1,783
Liabilities of discontinued operations (1)	534	351	6	270	-
Total current liabilities	579	1,113	3,991	4,847	2,029
NON-CURRENT LIABILITIES:					
Due to affiliated entities (3)	-	-	-	-	-
Deferred rent obligations	125	1,741	6,818	5,322	969
Other liabilities	-	44	155	-	6
Liabilities of discontinued operations (1)	247	-	7,266	28,945	-
Total non-current liabilities	372	1,785	14,239	34,267	975
STOCKHOLDERS' EQUITY:					
Preferred stock	-	-	-	-	-
Common stock	-	1	1	-	-
Additional paid-in capital	92,890	7,424	69,548	142,139	42,673
Accumulated other comprehensive income (loss)	-	-	(4)	-	-
Retained earnings (deficit)	(67,451)	(3,826)	(40,854)	(104,731)	(36,659)
Cost of shares in treasury	-	-	-	-	-
Total stockholders' equity	25,439	3,599	28,691	37,408	6,014
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	$ 26,390	$ 6,497	$ 46,921	$ 76,522	$ 9,018

(1) Assets of discontinued operations and liabilities of discontinued operations are included to reflect our accounting treatment of discontinued operations. Refer to Note 4 "Discontinued Operations" of the notes to our consolidated financial statements for additional information on our discontinued operations.

(2) Income taxes are provided for on a legal entity basis. The schools and additional locations reported under each OPEID may be comprised of several different legal entities, reflecting varying effective tax rates.

(3) CEC and its subsidiaries utilize a consolidated cash management policy, under which CEC advances funds to support the operations of each of its schools and also borrows excess operating cash from its schools to effectively manage its consolidated cash position or to minimize consolidated interest costs. Such advances and borrowings have been duly secured pursuant to a revolving loan and agreement effective January 1, 2009.

(4) Effective March 31, 2014, this OPEID was renamed Sanford-Brown College MN, Inc.

(5) Effective March 31, 2014, this OPEID was renamed Sanford-Brown Group, Inc.

CAREER EDUCATION CORPORATION AND SUBSIDIARIES

SCHEDULE II – CONSOLIDATED BALANCE SHEET WITH CONSOLIDATING DATA (continued)

As of December 31, 2014
(In thousands)

	Sanford-Brown, Ltd-Jacksonville (OPE #02616400)	Sanford-Brown, Ltd. – McLean (OPE #00942000)	Sanford-Brown, Ltd. – White Plains (OPE #02614900)	Scottsdale Culinary Institute, Ltd. (OPE #02616700)
ASSETS				
CURRENT ASSETS:				
Cash and cash equivalents, unrestricted	$ 1	$ -	$ -	$ -
Restricted cash	-	-	-	-
Short-term investments	-	-	-	-
Receivables:				
Students, net of allowance for doubtful accounts	397	99	39	-
Other, net	8	-	-	-
Prepaid expenses	149	94	4	-
Inventories	70	10	-	-
Other current assets	-	-	-	-
Assets of discontinued operations (1)	27	-	-	36,771
Total current assets	652	203	43	36,771
NON-CURRENT ASSETS:				
Due from affiliated entities (3)	15,591	4,493	2,950	-
Property and equipment, net	104	362	-	-
Goodwill	-	-	-	-
Intangible assets, net	-	-	-	-
Student receivables, net of allowance for doubtful accounts	9	21	8	-
Investments in subsidiaries	-	-	-	-
Other assets, net	313	-	-	-
Assets of discontinued operations (1)	-	-	-	-
TOTAL ASSETS	$ 16,669	$ 5,079	$ 3,001	$ 36,771
LIABILITIES AND STOCKHOLDERS' EQUITY				
CURRENT LIABILITIES:				
Short-term borrowings	$ -	$ -	$ -	$ -
Accounts payable	103	9	3	-
Accrued expenses:				
Payroll and related benefits	2	-	-	-
Advertising and production costs	29	-	-	-
Income taxes (2)	-	-	-	-
Other	55	62	36	-
Deferred tuition revenue	1,277	9	2	-
Liabilities of discontinued operations (1)	416	-	-	13,034
Total current liabilities	1,882	80	41	13,034
NON-CURRENT LIABILITIES:				
Due to affiliated entities (3)	-	-	-	-
Deferred rent obligations	675	1,902	-	-
Other liabilities	51	-	-	-
Liabilities of discontinued operations (1)	1,801	-	-	-
Total non-current liabilities	2,527	1,902	-	-
STOCKHOLDERS' EQUITY:				
Preferred stock	-	-	-	-
Common stock	-	1	-	1
Additional paid-in capital	48,723	16,359	17,932	57,537
Accumulated other comprehensive income (loss)	-	(1)	-	1
Retained earnings (deficit)	(36,463)	(13,262)	(14,972)	(33,802)
Cost of shares in treasury	-	-	-	-
Total stockholders' equity	12,260	3,097	2,960	23,737
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	$ 16,669	$ 5,079	$ 3,001	$ 36,771

(1) Assets of discontinued operations and liabilities of discontinued operations are included to reflect our accounting treatment of discontinued operations. Refer to Note 4 "Discontinued Operations" of the notes to our consolidated financial statements for additional information on our discontinued operations.

(2) Income taxes are provided for on a legal entity basis. The schools and additional locations reported under each OPEID may be comprised of several different legal entities, reflecting varying effective tax rates.

(3) CEC and its subsidiaries utilize a consolidated cash management policy, under which CEC advances funds to support the operations of each of its schools and also borrows excess operating cash from its schools to effectively manage its consolidated cash position or to minimize consolidated interest costs. Such advances and borrowings have been duly secured pursuant to a revolving loan and agreement effective January 1, 2009.

CAREER EDUCATION CORPORATION AND SUBSIDIARIES

SCHEDULE II – CONSOLIDATED BALANCE SHEET WITH CONSOLIDATING DATA (continued)

As of December 31, 2014
(In thousands)

	Other and Eliminations	Consolidated
ASSETS		
CURRENT ASSETS:		
Cash and cash equivalents, unrestricted	$ 93,672	$ 93,832
Restricted cash	22,938	22,938
Short-term investments	122,858	122,858
Receivables:		
Students, net of allowance for doubtful accounts	-	24,564
Other, net	18,644	18,925
Prepaid expenses	9,432	14,679
Inventories	614	3,305
Other current assets	582	2,384
Assets of discontinued operations [1]	(252,761)	77,319
Total current assets	15,979	380,804
NON-CURRENT ASSETS:		
Due from affiliated entities [3]	(513,210)	-
Property and equipment, net	44,792	73,083
Goodwill	-	87,356
Intangible assets, net	-	9,819
Student receivables, net of allowance for doubtful accounts	2,160	2,926
Investments in subsidiaries	2,499	-
Other assets, net	16,845	18,571
Assets of discontinued operations [1]	(28,836)	975
TOTAL ASSETS	$(459,771)	$ 573,534
LIABILITIES AND STOCKHOLDERS' EQUITY		
CURRENT LIABILITIES:		
Short-term borrowings	$ 10,000	$ 10,000
Accounts payable	16,700	21,968
Accrued expenses:		
Payroll and related benefits	28,821	29,545
Advertising and production costs	11,744	13,162
Income taxes [2]	1,633	1,633
Other	14,539	21,440
Deferred tuition revenue	-	37,572
Liabilities of discontinued operations [1]	(26,646)	65,863
Total current liabilities	56,791	201,183
NON-CURRENT LIABILITIES:		
Due to affiliated entities [3]	(102)	-
Deferred rent obligations	17,259	48,381
Other liabilities	18,381	19,178
Liabilities of discontinued operations [1]	(80,916)	22,859
Total non-current liabilities	(45,378)	90,418
STOCKHOLDERS' EQUITY:		
Preferred stock	(3,400)	-
Common stock	626	823
Additional paid-in capital	(605,300)	606,531
Accumulated other comprehensive income (loss)	(2,959)	(853)
Retained earnings (deficit)	355,014	(109,403)
Cost of shares in treasury	(215,165)	(215,165)
Total stockholders' equity	(471,184)	281,933
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	$(459,771)	$ 573,534

(1) Assets of discontinued operations and liabilities of discontinued operations are included to reflect our accounting treatment of discontinued operations. Refer to Note 4 "Discontinued Operations" of the notes to our consolidated financial statements for additional information on our discontinued operations.

(2) Income taxes are provided for on a legal entity basis. The schools and additional locations reported under each OPEID may be comprised of several different legal entities, reflecting varying effective tax rates.

(3) CEC and its subsidiaries utilize a consolidated cash management policy, under which CEC advances funds to support the operations of each of its schools and also borrows excess operating cash from its schools to effectively manage its consolidated cash position or to minimize consolidated interest costs. Such advances and borrowings have been duly secured pursuant to a revolving loan and agreement effective January 1, 2009.

CAREER EDUCATION CORPORATION AND SUBSIDIARIES

SCHEDULE III – CONSOLIDATED STATEMENT OF OPERATIONS WITH CONSOLIDATING DATA

For the Year Ended December 31, 2014
(In thousands)

	American InterContinental University, Inc. (OPE #02113600)	Briarcliffe College, Inc. (OPE #02075700)	Brooks Institute of Photography, L.L.C. (OPE #00112300)	California Culinary Academy, L.L.C. (OPE #02220200)	Colorado Technical University, Inc. (OPE #01014800)
REVENUE:					
Tuition and registration fees	$ 197,924	$ 32,062	$ 11,550	$ -	$ 336,458
Other	972	99	63	-	2,210
Total revenue	198,896	32,161	11,613	-	338,668
OPERATING EXPENSES:					
Educational services and facilities	21,457	16,791	7,656	-	32,679
General and administrative	104,930	11,998	5,323	-	129,989
Depreciation and amortization	2,329	1,089	912	-	2,824
Asset impairment	58	-	1,878	-	-
Management fees (1)	81,101	4,966	1,344	-	109,543
Total operating expenses	209,875	34,844	17,113	-	275,035
Operating (loss) income	(10,979)	(2,683)	(5,500)	-	63,633
OTHER (EXPENSE) INCOME:					
Interest income	603	183	44	-	1,508
Interest expense	(116)	-	(25)	-	(179)
Miscellaneous income (expense)	-	157	3	-	-
Total other (expense) income	487	340	22	-	1,329
PRETAX (LOSS) INCOME	(10,492)	(2,343)	(5,478)	-	64,962
(Benefit from) provision for income taxes (2)	-	-	-	-	-
(LOSS) INCOME FROM CONTINUING OPERATIONS	(10,492)	(2,343)	(5,478)	-	64,962
INCOME (LOSS) FROM DISCONTINUED OPERATIONS, net of tax (3)	154	-	-	(13,627)	(2,378)
NET (LOSS) INCOME	$ (10,338)	$ (2,343)	$ (5,478)	$ (13,627)	$ 62,584

(1) Costs of shared services and corporate services are allocated to school entities based upon usage and consumption factors.

(2) Income taxes are provided for on a legal entity basis. The schools and additional locations reported under each OPEID may be comprised of several different legal entities, reflecting varying effective tax rates. Certain OPEIDs are in a three-year cumulative loss position and therefore are limited in their ability to record a benefit from income tax for the current year as a result of the valuation allowance recorded against its net deferred tax asset. See Note 13 of the notes to our consolidated financial statements for further information.

(3) See Note 4 "Discontinued Operations" of the notes to our consolidated financial statements for additional information on our discontinued operations.

CAREER EDUCATION CORPORATION AND SUBSIDIARIES

SCHEDULE III – CONSOLIDATED STATEMENT OF OPERATIONS WITH CONSOLIDATING DATA (continued)

For the Year Ended December 31, 2014
(In thousands)

	The Cooking & Hospitality Institute of Chicago, Inc. (OPE #02352200)	Harrington Institute of Interior Design, Inc. (OPE #02055200)	International Academy of Merchandising & Design, Inc. (Tampa) (OPE #03031400)	The Katharine Gibbs Corporation – Melville (OPE #01164700)	The Katharine Gibbs School of Norwalk, Inc. (OPE #01287700)
REVENUE:					
Tuition and registration fees	$ -	$ 7,849	$ 58,419	$ 3,861	$ -
Other	-	350	108	3	-
Total revenue	-	8,199	58,527	3,864	-
OPERATING EXPENSES:					
Educational services and facilities	-	3,212	22,225	2,500	-
General and administrative	-	2,471	28,639	2,836	-
Depreciation and amortization	-	444	2,846	280	-
Asset impairment	-	426	5,131	1,307	-
Management fees (1)	-	6,032	16,681	999	-
Total operating expenses	-	12,585	75,522	7,922	-
Operating (loss) income	-	(4,386)	(16,995)	(4,058)	-
OTHER (EXPENSE) INCOME:					
Interest income	-	10	166	17	-
Interest expense	-	(3)	(299)	-	-
Miscellaneous income (expense)	-	-	2	51	-
Total other (expense) income	-	7	(131)	68	-
PRETAX (LOSS) INCOME	-	(4,379)	(17,126)	(3,990)	-
(Benefit from) provision for income taxes (2)	-	-	-	-	-
(LOSS) INCOME FROM CONTINUING OPERATIONS	-	(4,379)	(17,126)	(3,990)	-
INCOME (LOSS) FROM DISCONTINUED OPERATIONS, net of tax (3)	(2,210)	-	(3,687)	(2,388)	(1,532)
NET (LOSS) INCOME	$ (2,210)	$ (4,379)	$ (20,813)	$ (6,378)	$ (1,532)

(1) Costs of shared services and corporate services are allocated to school entities based upon usage and consumption factors.

(2) Income taxes are provided for on a legal entity basis. The schools and additional locations reported under each OPEID may be comprised of several different legal entities, reflecting varying effective tax rates. Certain OPEIDs are in a three-year cumulative loss position and therefore are limited in their ability to record a benefit from income tax for the current year as a result of the valuation allowance recorded against its net deferred tax asset. See Note 13 of the notes to our consolidated financial statements for further information.

(3) See Note 4 "Discontinued Operations" of the notes to our consolidated financial statements for additional information on our discontinued operations.

CAREER EDUCATION CORPORATION AND SUBSIDIARIES

SCHEDULE III – CONSOLIDATED STATEMENT OF OPERATIONS WITH CONSOLIDATING DATA (continued)

For the Year Ended December 31, 2014
(In thousands)

	Le Cordon Bleu North America, L.L.C. – Austin (OPE #02569300)	Le Cordon Bleu North America, L.L.C. – Pasadena (OPE #03210300)	Le Cordon Bleu North America, L.L.C. – Portland (OPE #03022600)	Missouri College, Inc. (OPE #00979500)	Sanford-Brown College, Inc., a private two-year college (OPE #00748100)
REVENUE:					
Tuition and registration fees	$ -	$ -	$ -	$ 7,413	$ -
Other	-	-	-	72	-
Total revenue	-	-	-	7,485	-
OPERATING EXPENSES:					
Educational services and facilities	-	-	-	4,046	-
General and administrative	-	-	-	4,393	-
Depreciation and amortization	-	-	-	599	-
Asset impairment	-	-	-	861	-
Management fees (1)	-	-	-	2,323	-
Total operating expenses	-	-	-	12,222	-
Operating (loss) income	-	-	-	(4,737)	-
OTHER (EXPENSE) INCOME:					
Interest income	-	-	-	67	-
Interest expense	-	(1)	-	(19)	-
Miscellaneous income (expense)	-	-	-	-	-
Total other (expense) income	-	(1)	-	48	-
PRETAX (LOSS) INCOME	-	(1)	-	(4,689)	-
(Benefit from) provision for income taxes (2)	-	-	-	-	-
(LOSS) INCOME FROM CONTINUING OPERATIONS	-	(1)	-	(4,689)	-
INCOME (LOSS) FROM DISCONTINUED OPERATIONS, net of tax (3)	(11,424)	(17,809)	(4,068)	-	(1,926)
NET (LOSS) INCOME	$ (11,424)	$ (17,810)	$ (4,068)	$ (4,689)	$ (1,926)

(1) Costs of shared services and corporate services are allocated to school entities based upon usage and consumption factors.

(2) Income taxes are provided for on a legal entity basis. The schools and additional locations reported under each OPEID may be comprised of several different legal entities, reflecting varying effective tax rates. Certain OPEIDs are in a three-year cumulative loss position and therefore are limited in their ability to record a benefit from income tax for the current year as a result of the valuation allowance recorded against its net deferred tax asset. See Note 13 of the notes to our consolidated financial statements for further information.

(3) See Note 4 "Discontinued Operations" of the notes to our consolidated financial statements for additional information on our discontinued operations.

CAREER EDUCATION CORPORATION AND SUBSIDIARIES

SCHEDULE III – CONSOLIDATED STATEMENT OF OPERATIONS WITH CONSOLIDATING DATA (continued)

For the Year Ended December 31, 2014
(In thousands)

	Sanford-Brown College, L.L.C. (OPE #02205200)	Sanford-Brown College, MN, Inc. [4] (OPE #00735100)	Sanford-Brown Group, Inc. (IL) [5] (OPE #02160300)	Sanford-Brown, Ltd. – Atlanta (OPE #02116000)	Sanford-Brown, Ltd. – Dallas (OPE #02615000)
REVENUE:					
Tuition and registration fees	$ 517	$ 5,483	$ 12,375	$ 34,270	$ 14,661
Other	-	155	122	47	14
Total revenue	517	5,638	12,497	34,317	14,675
OPERATING EXPENSES:					
Educational services and facilities	2,878	4,088	14,539	20,331	8,824
General and administrative	894	4,441	4,653	20,867	9,396
Depreciation and amortization	93	828	1,767	2,327	1,203
Asset impairment	2,195	3,682	-	816	96
Management fees [1]	607	954	7,033	7,076	3,317
Total operating expenses	6,667	13,993	27,992	51,417	22,836
Operating (loss) income	(6,150)	(8,355)	(15,495)	(17,100)	(8,161)
OTHER (EXPENSE) INCOME:					
Interest income	393	18	418	980	255
Interest expense	-	(12)	(96)	(115)	(96)
Miscellaneous income (expense)	-	-	3	94	52
Total other (expense) income	393	6	325	959	211
PRETAX (LOSS) INCOME	(5,757)	(8,349)	(15,170)	(16,141)	(7,950)
(Benefit from) provision for income taxes [2]	-	-	-	-	-
(LOSS) INCOME FROM CONTINUING OPERATIONS	(5,757)	(8,349)	(15,170)	(16,141)	(7,950)
INCOME (LOSS) FROM DISCONTINUED OPERATIONS, net of tax [3]	(2,694)	25	(2,105)	(5,509)	-
NET (LOSS) INCOME	$ (8,451)	$ (8,324)	$ (17,275)	$ (21,650)	$ (7,950)

(1) Costs of shared services and corporate services are allocated to school entities based upon usage and consumption factors.

(2) Income taxes are provided for on a legal entity basis. The schools and additional locations reported under each OPEID may be comprised of several different legal entities, reflecting varying effective tax rates. Certain OPEIDs are in a three-year cumulative loss position and therefore are limited in their ability to record a benefit from income tax for the current year as a result of the valuation allowance recorded against its net deferred tax asset. See Note 13 of the notes to our consolidated financial statements for further information.

(3) See Note 4 "Discontinued Operations" of the notes to our consolidated financial statements for additional information on our discontinued operations.

(4) Effective March 31, 2014, this OPEID was renamed Sanford-Brown College MN, Inc.

(5) Effective March 31, 2014, this OPEID was renamed Sanford-Brown Group, Inc.

CAREER EDUCATION CORPORATION AND SUBSIDIARIES

SCHEDULE III – CONSOLIDATED STATEMENT OF OPERATIONS WITH CONSOLIDATING DATA (continued)

For the Year Ended December 31, 2014
(In thousands)

	Sanford-Brown, Ltd. – Jacksonville (OPE #02616400)	Sanford-Brown Ltd. – McLean (OPE #00942000)	Sanford-Brown, Ltd. – White Plains (OPE #02614900)	Scottsdale Culinary Institute, Ltd. (OPE #02616700)
REVENUE:				
Tuition and registration fees	$ 12,668	$ 527	$ 846	$ -
Other	29	1	-	-
Total revenue	12,697	528	846	-
OPERATING EXPENSES:				
Educational services and facilities	8,497	2,225	1,288	-
General and administrative	9,532	1,086	841	-
Depreciation and amortization	477	395	151	-
Asset impairment	356	-	-	-
Management fees (1)	2,874	654	672	-
Total operating expenses	21,736	4,360	2,952	-
Operating (loss) income	(9,039)	(3,832)	(2,106)	-
OTHER (EXPENSE) INCOME:				
Interest income	302	31	93	-
Interest expense	(46)	-	-	-
Miscellaneous income (expense)	54	52	52	-
Total other (expense) income	310	83	145	-
PRETAX (LOSS) INCOME	(8,729)	(3,749)	(1,961)	-
(Benefit from) provision for income taxes (2)	-	-	-	-
(LOSS) INCOME FROM CONTINUING OPERATIONS	(8,729)	(3,749)	(1,961)	-
INCOME (LOSS) FROM DISCONTINUED OPERATIONS, net of tax (3)	(1,597)	-	-	(15,856)
NET (LOSS) INCOME	$ (10,326)	$ (3,749)	$ (1,961)	$ (15,856)

(1) Costs of shared services and corporate services are allocated to school entities based upon usage and consumption factors.

(2) Income taxes are provided for on a legal entity basis. The schools and additional locations reported under each OPEID may be comprised of several different legal entities, reflecting varying effective tax rates. Certain OPEIDs are in a three-year cumulative loss position and therefore are limited in their ability to record a benefit from income tax for the current year as a result of the valuation allowance recorded against its net deferred tax asset. See Note 13 of the notes to our consolidated financial statements for further information.

(3) See Note 4 "Discontinued Operations" of the notes to our consolidated financial statements for additional information on our discontinued operations.

CAREER EDUCATION CORPORATION AND SUBSIDIARIES

SCHEDULE III – CONSOLIDATED STATEMENT OF OPERATIONS WITH CONSOLIDATING DATA (continued)

For the Year Ended December 31, 2014
(In thousands)

	Other and Eliminations [1]	Consolidated
REVENUE:		
Tuition and registration fees	$ -	$ 736,883
Other	230	4,475
Total revenue	230	741,358
OPERATING EXPENSES:		
Educational services and facilities	67,560	240,796
General and administrative	178,072	520,361
Depreciation and amortization	17,455	36,019
Asset impairment	92	16,898
Management fees [1]	(246,176)	-
Total operating expenses	17,003	814,074
Operating (loss) income	(16,773)	(72,716)
OTHER (EXPENSE) INCOME:		
Interest income	(4,237)	851
Interest expense	516	(491)
Miscellaneous income (expense)	(668)	(148)
Total other (expense) income	(4,389)	212
PRETAX (LOSS) INCOME	(21,162)	(72,504)
(Benefit from) provision for income taxes [2]	3,736	3,736
(LOSS) INCOME FROM CONTINUING OPERATIONS	(24,898)	(76,240)
INCOME (LOSS) FROM DISCONTINUED OPERATIONS, net of tax [3]	(13,292)	(101,923)
NET (LOSS) INCOME	$ (38,190)	$ (178,163)

(1) Costs of shared services and corporate services are allocated to school entities based upon usage and consumption factors.

(2) Income taxes are provided for on a legal entity basis. The schools and additional locations reported under each OPEID may be comprised of several different legal entities, reflecting varying effective tax rates. Certain OPEIDs are in a three-year cumulative loss position and therefore are limited in their ability to record a benefit from income tax for the current year as a result of the valuation allowance recorded against its net deferred tax asset. See Note 13 of the notes to our consolidated financial statements for further information.

(3) See Note 4 "Discontinued Operations" of the notes to our consolidated financial statements for additional information on our discontinued operations.

CAREER EDUCATION CORPORATION AND SUBSIDIARIES

SCHEDULE IV – CONSOLIDATED STATEMENT OF CASH FLOWS WITH CONSOLIDATING DATA

For the Year Ended December 31, 2014
(In thousands)

	American InterContinental University, Inc. (OPE #02113600)	Briarcliffe College, Inc. (OPE #02075700)	Brooks Institute of Photography, L.L.C. (OPE #00112300)	California Culinary Academy, L.L.C. (OPE #02220200)	Colorado Technical University, Inc. (OPE #01014800)
CASH FLOWS FROM OPERATING ACTIVITIES:					
Net (loss) income	$ (10,338)	$ (2,343)	$ (5,478)	$ (13,627)	$ 62,584
Adjustments to reconcile net (loss) income to net cash (used in) provided by operating activities:					
Asset impairment	58	-	1,878	3,432	-
Depreciation and amortization expense	2,329	1,089	912	1,423	3,045
Bad debt expense	4,711	(32)	41	(168)	9,546
Compensation expense related to share-based awards	-	-	-	-	-
Loss (gain) on sale of businesses, net	-	-	-	-	-
Loss on disposition of property and equipment	-	-	-	-	16
Deferred income taxes	-	-	-	-	-
Changes in operating assets and liabilities:					
Student receivables, gross	1,808	353	72	171	1,070
Allowance for doubtful accounts	(5,401)	(334)	(78)	(51)	(9,516)
Other receivables, net	33	1	7	(423)	113
Inventories, prepaid expenses, and other current assets	(622)	499	43	246	(409)
Deposits and other non-current assets	22	83	160	-	27
Accounts payable	(305)	(445)	(42)	(6)	(257)
Accrued expenses and deferred rent obligations	(1,889)	5	(200)	925	(591)
Deferred tuition revenue	(780)	(270)	(19)	63	(1,607)
Net cash (used in) provided by operating activities	(10,374)	(1,394)	(2,704)	(8,015)	64,021
CASH FLOWS FROM INVESTING ACTIVITIES:					
Purchases of available-for-sale investments	-	-	-	-	-
Sales of available-for-sale investments	-	-	-	-	-
Purchases of property and equipment	(916)	(15)	(1,558)	(73)	(628)
Payments of cash upon sale of asset	-	-	-	-	-
Purchase of equity method investment	-	-	-	-	-
Other	-	-	-	-	-
Net cash provided by (used in) investing activities	(916)	(15)	(1,558)	(73)	(628)
CASH FLOWS FROM FINANCING ACTIVITIES:					
Issuance of common stock	-	-	-	-	-
Borrowings from credit facility	-	-	-	-	-
Change in restricted cash	-	-	-	-	-
Net cash advances from (to) parent	11,307	1,421	4,262	8,082	(63,392)
Net cash provided by financing activities	11,307	1,421	4,262	8,082	(63,392)
EFFECT OF FOREIGN CURRENCY EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS	-	-	-	-	-
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	17	12	-	(6)	1
DISCONTINUED OPERATIONS INCLUDED ABOVE:					
Add: Cash balance of discontinued operations, beginning of the year	-	-	-	6	-
Less: Cash balance of discontinued operations, end of the year	-	-	-	-	-
CASH AND CASH EQUIVALENTS, beginning of the year	-	-	-	-	8
CASH AND CASH EQUIVALENTS, end of the year	$ 17	$ 12	$ -	$ -	$ 9

CAREER EDUCATION CORPORATION AND SUBSIDIARIES

SCHEDULE IV – CONSOLIDATED STATEMENT OF CASH FLOWS WITH CONSOLIDATING DATA (continued)

For the Year Ended December 31, 2014
(In thousands)

	The Cooking & Hospitality Institute of Chicago, Inc. (OPE #02352200)	Harrington Institute of Interior Design, Inc. (OPE #02055200)	International Academy of Merchandising & Design, Inc. (Tampa) (OPE #03031400)	The Katharine Gibbs Corporation – Melville (OPE #01164700)	The Katharine Gibbs School of Norwalk, Inc. (OPE #01287700)
CASH FLOWS FROM OPERATING ACTIVITIES:					
Net (loss) income	$ (2,210)	$ (4,379)	$ (20,813)	$ (6,378)	$ (1,532)
Adjustments to reconcile net (loss) income to net cash (used in) provided by operating activities:					
Asset impairment	-	426	5,131	1,307	-
Depreciation and amortization expense	461	444	3,753	327	58
Bad debt expense	63	(68)	1,266	15	14
Compensation expense related to share-based awards	-	-	-	-	-
Loss (gain) on sale of businesses, net	-	-	-	-	-
Loss on disposition of property and equipment	-	-	-	-	-
Deferred income taxes	-	-	-	-	-
Changes in operating assets and liabilities:					
Student receivables, gross	170	133	(130)	76	70
Allowance for doubtful accounts	(423)	(72)	(1,667)	(60)	(40)
Other receivables, net	1	89	43	(4)	-
Inventories, prepaid expenses, and other current assets	(175)	(17)	1,056	102	41
Deposits and other non-current assets	2	-	161	-	-
Accounts payable	(30)	(56)	(71)	(22)	(3)
Accrued expenses and deferred rent obligations	427	(182)	194	161	(252)
Deferred tuition revenue	236	8	(1,250)	91	(64)
Net cash (used in) provided by operating activities	(1,478)	(3,674)	(12,327)	(4,385)	(1,708)
CASH FLOWS FROM INVESTING ACTIVITIES:					
Purchases of available-for-sale investments	-	-	-	-	-
Sales of available-for-sale investments	-	-	-	-	-
Purchases of property and equipment	(118)	(48)	(1,587)	(89)	-
Payments of cash upon sale of asset	-	-	-	-	-
Purchase of equity method investment	-	-	-	-	-
Other	-	-	-	-	-
Net cash provided by (used in) investing activities	(118)	(48)	(1,587)	(89)	-
CASH FLOWS FROM FINANCING ACTIVITIES:					
Issuance of common stock	-	-	-	-	-
Borrowings from credit facility	-	-	-	-	-
Change in restricted cash	-	-	-	-	-
Net cash advances from (to) parent	1,515	3,737	13,934	4,476	1,708
Net cash provided by financing activities	1,515	3,737	13,934	4,476	1,708
EFFECT OF FOREIGN CURRENCY EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS	-	-	-	-	-
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(81)	15	20	2	-
DISCONTINUED OPERATIONS INCLUDED ABOVE:					
Add: Cash balance of discontinued operations, beginning of the year	81	-	15	-	-
Less: Cash balance of discontinued operations, end of the year	-	-	-	-	-
CASH AND CASH EQUIVALENTS, beginning of the year	-	-	52	-	-
CASH AND CASH EQUIVALENTS, end of the year	$ -	$ 15	$ 87	$ 2	$ -

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CAREER EDUCATION CORPORATION AND SUBSIDIARIES

SCHEDULE IV – CONSOLIDATED STATEMENT OF CASH FLOWS WITH CONSOLIDATING DATA (continued)

For the Year Ended December 31, 2014
(In thousands)

	Le Cordon Bleu North America, L.L.C. – Austin (OPE #02569300)	Le Cordon Bleu North America, L.L.C. – Pasadena (OPE #03210300)	Le Cordon Bleu North America, L.L.C. – Portland (OPE #03022600)	Missouri College, Inc. (OPE #00979500)	Sanford-Brown College, Inc., a private two-year college (OPE #00748100)
CASH FLOWS FROM OPERATING ACTIVITIES:					
Net (loss) income	$ (11,424)	$ (17,810)	$ (4,068)	$ (4,689)	$ (1,926)
Adjustments to reconcile net (loss) income to net cash (used in) provided by operating activities:					
Asset impairment	252	361	561	861	-
Depreciation and amortization expense	4,980	4,299	2,239	599	44
Bad debt expense	(116)	(1,162)	279	145	38
Compensation expense related to share-based awards	-	-	-	-	-
Loss (gain) on sale of businesses, net	-	-	-	-	-
Loss on disposition of property and equipment	-	-	-	-	-
Deferred income taxes	-	-	-	-	-
Changes in operating assets and liabilities:					
Student receivables, gross	1,026	1,528	1,121	19	58
Allowance for doubtful accounts	(771)	(470)	(1,175)	(187)	(61)
Other receivables, net	6	40	9	2	21
Inventories, prepaid expenses, and other current assets	(475)	96	(170)	28	121
Deposits and other non-current assets	-	-	-	2	-
Accounts payable	98	(66)	115	48	(2)
Accrued expenses and deferred rent obligations	359	94	(656)	(117)	(142)
Deferred tuition revenue	710	(175)	255	350	(55)
Net cash (used in) provided by operating activities	(5,355)	(13,265)	(1,490)	(2,939)	(1,904)
CASH FLOWS FROM INVESTING ACTIVITIES:					
Purchases of available-for-sale investments	-	-	-	-	-
Sales of available-for-sale investments	-	-	-	-	-
Purchases of property and equipment	(1,314)	(153)	(242)	(11)	-
Payments of cash upon sale of asset	-	-	-	-	-
Purchase of equity method investment	-	-	-	-	-
Other	-	-	-	-	-
Net cash provided by (used in) investing activities	(1,314)	(153)	(242)	(11)	-
CASH FLOWS FROM FINANCING ACTIVITIES:					
Issuance of common stock	-	-	-	-	-
Borrowings from credit facility	-	-	-	-	-
Change in restricted cash	-	-	-	-	-
Net cash advances from (to) parent	6,647	13,341	1,721	2,953	1,904
Net cash provided by financing activities	6,647	13,341	1,721	2,953	1,904
EFFECT OF FOREIGN CURRENCY EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS	-	-	-	-	-
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(22)	(77)	(11)	3	-
DISCONTINUED OPERATIONS INCLUDED ABOVE:					
Add: Cash balance of discontinued operations, beginning of the year	22	77	11	-	-
Less: Cash balance of discontinued operations, end of the year	-	-	-	-	-
CASH AND CASH EQUIVALENTS, beginning of the year	-	-	-	-	-
CASH AND CASH EQUIVALENTS, end of the year	$ -	$ -	$ -	$ 3	$ -

CAREER EDUCATION CORPORATION AND SUBSIDIARIES

SCHEDULE IV – CONSOLIDATED STATEMENT OF CASH FLOWS WITH CONSOLIDATING DATA (continued)

For the Year Ended December 31, 2014
(In thousands)

	Sanford-Brown College, L.L.C. (OPE #02205200)	Sanford-Brown College, MN, Inc. [1] (OPE #00735100)	Sanford-Brown Group, Inc. (IL) [2] (OPE #02160300)	Sanford-Brown, Ltd. – Atlanta (OPE #02116000)	Sanford-Brown, Ltd. – Dallas (OPE #02615000)
CASH FLOWS FROM OPERATING ACTIVITIES:					
Net (loss) income	$ (8,451)	$ (8,324)	$ (17,275)	$ (21,650)	$ (7,950)
Adjustments to reconcile net (loss) income to net cash (used in) provided by operating activities:					
Asset impairment	2,195	3,682	-	859	96
Depreciation and amortization expense	131	828	1,818	2,676	1,203
Bad debt expense	-	29	(121)	652	173
Compensation expense related to share-based awards	-	-	-	-	-
Loss (gain) on sale of businesses, net	-	-	520	-	-
Loss on disposition of property and equipment	-	-	-	8	-
Deferred income taxes	-	-	-	-	-
Changes in operating assets and liabilities:					
Student receivables, gross	188	159	887	764	592
Allowance for doubtful accounts	(59)	(112)	(327)	(843)	(288)
Other receivables, net	3	5	49	(52)	107
Inventories, prepaid expenses, and other current assets	113	47	410	531	172
Deposits and other non-current assets	-	-	(54)	248	110
Accounts payable	(13)	(14)	18	3	(47)
Accrued expenses and deferred rent obligations	632	(182)	781	(1,532)	(186)
Deferred tuition revenue	(151)	(79)	(1,337)	(920)	(387)
Net cash (used in) provided by operating activities	(5,412)	(3,961)	(14,631)	(19,256)	(6,405)
CASH FLOWS FROM INVESTING ACTIVITIES:					
Purchases of available-for-sale investments	-	-	-	-	-
Sales of available-for-sale investments	-	-	-	-	-
Purchases of property and equipment	-	(100)	(26)	(287)	(1,118)
Payments of cash upon sale of asset	-	-	(250)	-	-
Purchase of equity method investment	-	-	-	-	-
Other	-	-	-	-	-
Net cash provided by (used in) investing activities	-	(100)	(276)	(287)	(1,118)
CASH FLOWS FROM FINANCING ACTIVITIES:					
Issuance of common stock	-	-	-	-	-
Borrowings from credit facility	-	-	-	-	-
Change in restricted cash	-	-	-	-	-
Net cash advances from (to) parent	5,416	4,060	14,709	19,537	7,523
Net cash provided by financing activities	5,416	4,060	14,709	19,537	7,523
EFFECT OF FOREIGN CURRENCY EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS	-	-	-	-	-
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	4	(1)	(198)	(6)	-
DISCONTINUED OPERATIONS INCLUDED ABOVE:					
Add: Cash balance of discontinued operations, beginning of the year	-	-	7	3	-
Less: Cash balance of discontinued operations, end of the year	-	-	-	-	-
CASH AND CASH EQUIVALENTS, beginning of the year	-	11	191	3	-
CASH AND CASH EQUIVALENTS, end of the year	$ 4	$ 10	$ -	$ -	$ -

(1). Effective March 31, 2014, this OPEID was renamed Sanford-Brown College MN, Inc.

(2). Effective March 31, 2014, this OPEID was renamed Sanford-Brown Group, Inc.

CAREER EDUCATION CORPORATION AND SUBSIDIARIES

SCHEDULE IV – CONSOLIDATED STATEMENT OF CASH FLOWS WITH CONSOLIDATING DATA, (continued)

For the Year Ended December 31, 2014
(In thousands)

	Sanford-Brown, Ltd – Jacksonville (OPE #02616400)	Sanford-Brown, Ltd. – McLean (OPE #00942000)	Sanford-Brown, Ltd. – White Plains (OPE #02614900)	Scottsdale Culinary Institute, Ltd. (OPE #02616700)
CASH FLOWS FROM OPERATING ACTIVITIES:				
Net (loss) income	$ (10,326)	$ (3,749)	$ (1,961)	$ (15,856)
Adjustments to reconcile net (loss) income to net cash (used in) provided by operating activities:				
Asset impairment	356	-	-	5,761
Depreciation and amortization expense	477	395	151	4,112
Bad debt expense	122	115	37	103
Compensation expense related to share-based awards	-	-	-	-
Loss (gain) on sale of businesses, net	-	-	-	-
Loss on disposition of property and equipment	1	-	-	-
Deferred income taxes	-	-	-	-
Changes in operating assets and liabilities:				
Student receivables, gross	491	268	210	927
Allowance for doubtful accounts	(272)	(191)	(94)	(1,298)
Other receivables, net	(1)	-	2	6
Inventories, prepaid expenses, and other current assets	135	21	70	(232)
Deposits and other non-current assets	(8)	-	12	(515)
Accounts payable	(33)	4	(18)	59
Accrued expenses and deferred rent obligations	(1,318)	(198)	(10)	192
Deferred tuition revenue	(473)	(113)	(245)	271
Net cash (used in) provided by operating activities	(10,849)	(3,448)	(1,846)	(6,470)
CASH FLOWS FROM INVESTING ACTIVITIES:				
Purchases of available-for-sale investments	-	-	-	-
Sales of available-for-sale investments	-	-	-	-
Purchases of property and equipment	(107)	-	-	(235)
Payments of cash upon sale of asset	-	-	-	-
Purchase of equity method investment	-	-	-	-
Other	-	-	-	-
Net cash provided by (used in) investing activities	(107)	-	-	(235)
CASH FLOWS FROM FINANCING ACTIVITIES:				
Issuance of common stock	-	-	-	-
Borrowings from credit facility	-	-	-	-
Change in restricted cash	-	-	-	-
Net cash advances from (to) parent	10,957	3,448	1,846	6,692
Net cash provided by financing activities	10,957	3,448	1,846	6,692
EFFECT OF FOREIGN CURRENCY EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS	-	-	-	-
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	1	-	-	(13)
DISCONTINUED OPERATIONS INCLUDED ABOVE:				
Add: Cash balance of discontinued operations, beginning of the year	-	-	-	13
Less: Cash balance of discontinued operations, end of the year	-	-	-	-
CASH AND CASH EQUIVALENTS, beginning of the year	-	-	-	-
CASH AND CASH EQUIVALENTS, end of the year	$ 1	$ -	$ -	$ -

CAREER EDUCATION CORPORATION AND SUBSIDIARIES

SCHEDULE IV – CONSOLIDATED STATEMENT OF CASH FLOWS WITH CONSOLIDATING DATA (continued)

For the Year Ended December 31, 2014
(In thousands)

	Other and Eliminations	Consolidated
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net (loss) income	$ (38,190)	$ (178,163)
Adjustments to reconcile net (loss) income to net cash (used in) provided by operating activities:		
Asset impairment	8,993	36,209
Depreciation and amortization expense	17,662	55,455
Bad debt expense	(841)	14,841
Compensation expense related to share-based awards	4,277	4,277
Loss (gain) on sale of businesses, net	(209)	311
Loss on disposition of property and equipment	7	32
Deferred income taxes	14,250	14,250
Changes in operating assets and liabilities:		
Student receivables, gross	1,250	13,281
Allowance for doubtful accounts	(22)	(23,812)
Other receivables, net	7,797	7,854
Inventories, prepaid expenses, and other current assets	(3,508)	(1,877)
Deposits and other non-current assets	(1,416)	(1,166)
Accounts payable	255	(830)
Accrued expenses and deferred rent obligations	(49,287)	(52,972)
Deferred tuition revenue	(373)	(6,314)
Net cash (used in) provided by operating activities	(39,355)	(118,624)
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchases of available-for-sale investments	(157,425)	(157,425)
Sales of available-for-sale investments	64,920	64,920
Purchases of property and equipment	(4,531)	(13,156)
Payments of cash upon sale of asset	(137)	(387)
Purchase of equity method investment	(1,575)	(1,575)
Other	-	-
Net cash provided by (used in) investing activities	(98,748)	(107,623)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Issuance of common stock	1,354	1,354
Borrowings from credit facility	10,000	10,000
Change in restricted cash	(10,374)	(10,374)
Net cash advances from (to) parent	(87,804)	-
Net cash provided by financing activities	(86,824)	980
EFFECT OF FOREIGN CURRENCY EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS	156	156
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(224,771)	(225,111)
DISCONTINUED OPERATIONS INCLUDED ABOVE:		
Add: Cash balance of discontinued operations, beginning of the year	240	475
Less: Cash balance of discontinued operations, end of the year	-	-
CASH AND CASH EQUIVALENTS, beginning of the year	318,203	318,468
CASH AND CASH EQUIVALENTS, end of the year	$ 93,672	$ 93,832

CAREER EDUCATION CORPORATION AND SUBSIDIARIES

SCHEDULE V – FUNDING FROM TITLE IV PROGRAM CASH RECEIPTS

For the Year Ended December 31, 2014
(Dollars in thousands)

	American InterContinental University, Inc. (OPE #02113600)		Briarcliffe College, Inc. (OPE #02075700)		Brooks Institute of Photography, L.L.C. (OPE #00112300)		California Culinary Academy, L.L.C. (OPE #02220200)		Colorado Technical University, Inc. (OPE #01014800)	
	Amount Disbursed	Adjusted Amount	Amount Disbursed	Adjusted Amount	Amount Disbursed	Adjusted Amount	Amount Disbursed	Adjusted Amount	Amount Disbursed	Adjusted Amount
Student Title IV Revenue										
Subsidized Loan	$ 53,832	$ 53,832	$ 8,845	$ 8,845	$ 1,606	$ 1,606	$ 995	$ 995	$ 79,076	$ 79,076
Unsubsidized Loan	106,159	106,159	9,238	9,238	2,006	2,006	1,311	1,311	178,743	178,743
Federal Pell Grant	52,709	52,709	6,945	6,945	1,074	1,074	1,013	1,013	75,242	75,242
FSEOG (subject to matching reduction, see Section 3, Adjustments to Student Title IV Revenue, item 1)	1,075	1,075	101	101	37	37	33	33	1,651	1,651
Federal Work Study applied to tuition and fees (subject to matching reduction)	-	-	-	-	-	-	-	-	-	-
Federal Direct PLUS Loan	1,271	1,271	1,494	1,494	3,185	3,185	320	320	1,552	1,552
All Other Title IV Loans and Grants (ACG, Iraq & Afghanistan Service Grant, SMART Grant and Perkins Loan)	(1)	(1)	-	-	-	-	-	-	61	61
Student Title IV Revenue	$ 215,045	$ 215,045	$ 26,623	$ 26,623	$ 7,908	$ 7,908	$ 3,672	$ 3,672	$ 336,325	$ 336,325
Revenue Adjustment If the amount of funds applied first plus Student Title IV revenue is more than tuition and fees, then reduce Title IV revenue by the amount over tuition and fees		(36,567)		(2,489)		(1,484)		(167)		(56,292)
Adjusted Student Title IV Revenue		$ 178,478		$ 24,134		$ 6,424		$ 3,505		$ 280,033
Student Non-Title IV Revenue										
Grant funds for the student from non-Federal public agencies or private sources independent of the institution	$ 237		$ 3,090		$ 110		$ 22		$ 663	
Funds provided for the student under a contractual arrangement with a Federal, State, or local government agency for the purpose of providing job training to low income individuals	1,163		140		31		13		2,884	
Funds used by a student from savings plans for educational expenses established on or behalf of the student that qualify for special tax treatment under the Internal Revenue Service	-		-		81		-		-	
Institutional scholarships disbursed to the student	91		41		11		18		167	
Student Payments	9,526		3,550		4,367		2,340		17,079	
Other External Funding	20,213		1,952		1,338		507		52,875	
Student Non-Title IV Revenue	$ 31,230		$ 8,773		$ 5,938		$ 2,900		$ 73,668	
Revenue Adjustment If the amount of funds applied first plus Student Title IV plus Student Non-Title IV revenue is more than tuition and fees, then reduce Non-Title IV revenue by the amount over tuition and fees		(8,704)		(772)		(989)		(188)		(16,502)
Adjusted Student Non-Title IV Revenue		$ 22,526		$ 8,001		$ 4,949		$ 2,712		$ 57,166
Revenue from Other Sources (Totals for the Fiscal Year)										
Activities conducted by the institution that are necessary for education and training	$ -		$ -		$ -		$ -		$ -	
Funds paid to the institution by, or on behalf of, students for education and training in qualified non-Title IV eligible programs	-		-		-		-		-	
The Net Present Value (NPV) of institutional loans disbursed to students	-		-		-		-		-	
Total Revenue from Other Sources	$ -		$ -		$ -		$ -		$ -	
Adjusted Title IV Revenue		**$ 178,478**		**$ 24,134**		**$ 6,424**		**$ 3,505**		**$ 280,033**
Adjusted Title IV Revenue + Adjusted Student Non-Title IV Revenue + Total Revenue from Other Sources		**$ 201,004 88.8%**		**$ 32,135 75.1%**		**$ 11,373 56.5%**		**$ 6,217 56.4%**		**$ 337,199 83.0%**

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CAREER EDUCATION CORPORATION AND SUBSIDIARIES

SCHEDULE V – FUNDING FROM TITLE IV PROGRAM CASH RECEIPTS, (continued)

For the Year Ended December 31, 2014
(Dollars in thousands)

	The Cooking & Hospitality Institute of Chicago, Inc. (OPE #02352200)		Harrington Institute of Interior Design, Inc. (OPE #02055200)		International Academy of Merchandising & Design, Inc. (Tampa) (OPE #03031400)		The Katharine Gibbs Corporation – Melville (OPE #01164700)		The Katharine Gibbs School of Norwalk, Inc. (OPE #01287700)	
	Amount Disbursed	**Adjusted Amount**	**Amount Disbursed**	**Adjusted Amount**	**Amount Disbursed**	**Adjusted Amount**	**Amount Disbursed**	**Adjusted Amount**	**Amount Disbursed**	**Adjusted Amount**
Student Title IV Revenue										
Subsidized Loan	$ 3,692	$ 3,692	$ 1,163	$ 1,163	$ 17,687	$ 17,687	$ 1,181	$ 1,181	$ 15	$ 15
Unsubsidized Loan	5,057	5,057	3,363	3,363	24,889	24,889	828	828	13	13
Federal Pell Grant	4,356	4,356	755	755	17,539	17,539	1,296	1,296	16	16
FSEOG (subject to matching reduction, see Section 3, Adjustments to Student Title IV Revenue, item 1)	72	72	48	48	285	285	69	69	13	13
Federal Work Study applied to tuition and fees (subject to matching reduction)	-	-	-	-	-	-	-	-	-	-
Federal Direct PLUS Loan	419	419	704	704	2,187	2,187	62	62	-	-
All Other Title IV Loans and Grants (ACG, Iraq & Afghanistan Service Grant, SMART Grant and Perkins Loan)	-	-	-	-	-	-	-	-	-	-
Student Title IV Revenue	$ 13,596	$ 13,596	$ 6,033	$ 6,033	$ 62,587	$ 62,587	$ 3,436	$ 3,436	$ 57	$ 57
Revenue Adjustment If the amount of funds applied first plus Student Title IV revenue is more than tuition and fees, then reduce Title IV revenue by the amount over tuition and fees		(636)		(829)		(2,535)		(304)		(4)
Adjusted Student Title IV Revenue		$ 12,960		$ 5,204		$ 60,052		$ 3,132		$ 53
Student Non-Title IV Revenue										
Grant funds for the student from non-Federal public agencies or private sources independent of the institution	$ 208		$ 226		$ 195		$ 479		$ 7	
Funds provided for the student under a contractual arrangement with a Federal, State, or local government agency for the purpose of providing job training to low income individuals	5		-		458		5		-	
Funds used by a student from savings plans for educational expenses established on or behalf of the student that qualify for special tax treatment under the Internal Revenue Service	4		9		147		-		-	
Institutional scholarships disbursed to the student	10		-		49		2		2	
Student Payments	1,759		2,459		6,633		386		24	
Other External Funding	659		362		7,080		20		6	
Student Non-Title IV Revenue	$ 2,645		$ 3,056		$ 14,562		$ 892		$ 39	
Revenue Adjustment If the amount of funds applied first plus Student Title IV plus Student Non-Title IV revenue is more than tuition and fees, then reduce Non-Title IV revenue by the amount over tuition and fees		(313)		(321)		(3,762)		(35)		(5)
Adjusted Student Non-Title IV Revenue		$ 2,332		$ 2,735		$ 10,800		$ 857		$ 34
Revenue from Other Sources (Totals for the Fiscal Year)										
Activities conducted by the institution that are necessary for education and training	$ -		$ -		$ -		$ -		$ -	
Funds paid to the institution by, or on behalf of, students for education and training in qualified non-Title IV eligible programs	-		-		-		-		-	
The Net Present Value (NPV) of institutional loans disbursed to students	-		-		-		-		-	
Total Revenue from Other Sources	$ -		$ -		$ -		$ -		$ -	
Adjusted Title IV Revenue		**$ 12,960**		**$ 5,204**		**$ 60,052**		**$ 3,132**		**$ 53**
Adjusted Title IV Revenue + Adjusted Student Non-Title IV Revenue + Total Revenue from Other Sources		**$ 15,292 84.8%**		**$ 7,939 65.5%**		**$ 70,852 84.8%**		**$ 3,989 78.5%**		**$ 87 60.9%**

CAREER EDUCATION CORPORATION AND SUBSIDIARIES

SCHEDULE V – FUNDING FROM TITLE IV PROGRAM CASH RECEIPTS, (continued)

For the Year Ended December 31, 2014
(Dollars in thousands)

	Le Cordon Bleu North America, L.L.C. – Austin (OPE #02569300)		Le Cordon Bleu North America, L.L.C. – Pasadena (OPE #03210300)		Le Cordon Bleu North America, L.L.C. – Portland (OPE #03022600)		Missouri College, Inc. (OPE #00979500)		Sanford-Brown College, Inc., a private two-year college (OPE #00748100)	
	Amount Disbursed	Adjusted Amount	Amount Disbursed	Adjusted Amount	Amount Disbursed	Adjusted Amount	Amount Disbursed	Adjusted Amount	Amount Disbursed	Adjusted Amount
Student Title IV Revenue										
Subsidized Loan	$ 7,861	$ 7,861	$ 6,132	$ 6,132	$ 7,490	$ 7,490	$ 1,459	$ 1,459	$ (4)	$ (4)
Unsubsidized Loan	11,020	11,020	7,516	7,516	10,126	10,126	2,327	2,327	3	3
Federal Pell Grant	8,412	8,412	6,486	6,486	7,869	7,869	2,001	2,001	(2)	(2)
FSEOG (subject to matching reduction, see Section 3, Adjustments to Student Title IV Revenue, item 1)	211	211	415	415	111	111	31	31	2	2
Federal Work Study applied to tuition and fees (subject to matching reduction)	-	-	-	-	-	-	-	-	-	-
Federal Direct PLUS Loan	1,659	1,659	1,302	1,302	1,367	1,367	185	185	-	-
All Other Title IV Loans and Grants (ACG, Iraq & Afghanistan Service Grant, SMART Grant and Perkins Loan)	-	-	-	-	-	-	-	-	-	-
Student Title IV Revenue	$ 29,163	$ 29,163	$ 21,851	$ 21,851	$ 26,963	$ 26,963	$ 6,003	$ 6,003	$ (1)	$ (1)
Revenue Adjustment If the amount of funds applied first plus Student Title IV revenue is more than tuition and fees, then reduce Title IV revenue by the amount over tuition and fees		(1,144)		(924)		(1,406)		(15)		13
Adjusted Student Title IV Revenue		$ 28,019		$ 20,927		$ 25,557		$ 5,988		$ 12
Student Non-Title IV Revenue										
Grant funds for the student from non-Federal public agencies or private sources independent of the institution	$ 80		$ 4		$ 421		$ 14		$ -	
Funds provided for the student under a contractual arrangement with a Federal, State, or local government agency for the purpose of providing job training to low income individuals	80		43		21		15		-	
Funds used by a student from savings plans for educational expenses established on or behalf of the student that qualify for special tax treatment under the Internal Revenue Service	93		33		19		-		-	
Institutional scholarships disbursed to the student	27		123		34		12		2	
Student Payments	5,311		6,189		3,652		867		28	
Other External Funding	4,893		1,781		2,997		317		8	
Student Non-Title IV Revenue	$ 10,484		$ 8,173		$ 7,144		$ 1,225		$ 38	
Revenue Adjustment If the amount of funds applied first plus Student Title IV plus Student Non-Title IV revenue is more than tuition and fees, then reduce Non-Title IV revenue by the amount over tuition and fees		(1,948)		(1,244)		(1,525)		(236)		(4)
Adjusted Student Non-Title IV Revenue		$ 8,536		$ 6,929		$ 5,619		$ 989		$ 34
Revenue from Other Sources (Totals for the Fiscal Year)										
Activities conducted by the institution that are necessary for education and training	$ (1)		$ 533		$ -		$ 63		$ -	
Funds paid to the institution by, or on behalf of, students for education and training in qualified non-Title IV eligible programs	-		-		-		-		-	
The Net Present Value (NPV) of institutional loans disbursed to students	-		-		-		-		-	
Total Revenue from Other Sources	$ (1)		$ 533		$ -		$ 63		$ -	
Adjusted Title IV Revenue		**$ 28,019**		**$ 20,927**		**$ 25,557**		**$ 5,988**		**$ 12**
Adjusted Title IV Revenue + Adjusted Student Non-Title IV Revenue + Total Revenue from Other Sources		**$ 36,554 76.7%**		**$ 28,389 73.7%**		**$ 31,176 82.0%**		**$ 7,040 85.1%**		**$ 46 26.1%**

CAREER EDUCATION CORPORATION AND SUBSIDIARIES

SCHEDULE V – FUNDING FROM TITLE IV PROGRAM CASH RECEIPTS, (continued)

For the Year Ended December 31, 2014
(Dollars in thousands)

	Sanford-Brown College, L.L.C. (OPE #02205200)		Sanford-Brown College, MN, Inc. (1) (OPE #00735100)		Sanford-Brown Group, Inc. (IL) (2) (OPE #02160300)		Sanford-Brown Ltd. – Atlanta (OPE #02116000)		Sanford-Brown Ltd. – Dallas (OPE #02615000)	
	Amount Disbursed	Adjusted Amount	Amount Disbursed	Adjusted Amount	Amount Disbursed	Adjusted Amount	Amount Disbursed	Adjusted Amount	Amount Disbursed	Adjusted Amount
Student Title IV Revenue										
Subsidized Loan	$ 143	$ 143	$ 1,658	$ 1,658	$ 2,869	$ 2,869	$ 7,596	$ 7,596	$ 3,023	$ 3,023
Unsubsidized Loan	151	151	2,247	2,247	4,213	4,213	11,461	11,461	4,379	4,379
Federal Pell Grant	107	107	1,236	1,236	2,647	2,647	10,662	10,662	4,155	4,155
FSEOG (subject to matching reduction, see Section 3, Adjustments to Student Title IV Revenue, item 1)	208	208	43	43	239	239	442	442	77	77
Federal Work Study applied to tuition and fees (subject to matching reduction)	-	-	-	-	-	-	-	-	-	-
Federal Direct PLUS Loan	14	14	309	309	741	741	841	841	450	450
All Other Title IV Loans and Grants (ACG, Iraq & Afghanistan Service Grant, SMART Grant and Perkins Loan)	-	-	-	-	-	-	-	-	-	-
Student Title IV Revenue	$ 623	$ 623	$ 5,493	$ 5,493	$ 10,709	$ 10,709	$ 31,002	$ 31,002	$ 12,084	$ 12,084
Revenue Adjustment If the amount of funds applied first plus Student Title IV revenue is more than tuition and fees, then reduce Title IV revenue by the amount over tuition and fees		(101)		(821)		(664)		(1,128)		(293)
Adjusted Student Title IV Revenue		$ 522		$ 4,672		$ 10,045		$ 29,874		$ 11,791
Student Non-Title IV Revenue										
Grant funds for the student from non-Federal public agencies or private sources independent of the institution	$ -		$ 260		$ 44		$ 46		$ 9	
Funds provided for the student under a contractual arrangement with a Federal, State, or local government agency for the purpose of providing job training to low income individuals	-		-		45		90		22	
Funds used by a student from savings plans for educational expenses established on or behalf of the student that qualify for special tax treatment under the Internal Revenue Service	2		-		-		106		-	
Institutional scholarships disbursed to the student	6		10		37		36		9	
Student Payments	126		431		1,687		3,968		2,582	
Other External Funding	66		686		636		1,034		593	
Student Non-Title IV Revenue	$ 200		$ 1,387		$ 2,449		$ 5,280		$ 3,215	
Revenue Adjustment If the amount of funds applied first plus Student Title IV plus Student Non-Title IV revenue is more than tuition and fees, then reduce Non-Title IV revenue by the amount over tuition and fees		(56)		(375)		(675)		(736)		(342)
Adjusted Student Non-Title IV Revenue		$ 144		$ 1,012		$ 1,774		$ 4,544		$ 2,873
Revenue from Other Sources (Totals for the Fiscal Year)										
Activities conducted by the institution that are necessary for education and training	$ -		$ -		$ 397		$ 4		$ 1	
Funds paid to the institution by, or on behalf of, students for education and training in qualified non-Title IV eligible programs	-		-		-		-		-	
The Net Present Value (NPV) of institutional loans disbursed to students	-		-		-		-		-	
Total Revenue from Other Sources	$ -		$ -		$ 397		$ 4		$ 1	
Adjusted Title IV Revenue		**$ 522**		**$ 4,672**		**$ 10,045**		**$ 29,874**		**$ 11,791**
Adjusted Title IV Revenue + Adjusted Student Non-Title IV Revenue + Total Revenue from Other Sources		**$ 666 78.4%**		**$ 5,684 82.2%**		**$ 12,216 82.2%**		**$ 34,422 86.8%**		**$ 14,665 80.4%**

(1). Effective March 31, 2014, this OPEID was renamed Sanford-Brown College MN, Inc.

(2). Effective March 31, 2014, this OPEID was renamed Sanford-Brown Group, Inc.

CAREER EDUCATION CORPORATION AND SUBSIDIARIES

SCHEDULE V – FUNDING FROM TITLE IV PROGRAM CASH RECEIPTS, (continued)

For the Year Ended December 31, 2014
(Dollars in thousands)

	Sanford-Brown Ltd. – Jacksonville (OPE #02616400)		Sanford-Brown Ltd. – McLean (OPE #00942000)		Sanford-Brown Ltd. – White Plains (OPE #02614900)		Scottsdale Culinary Institute, Ltd. (OPE #02616700)		Consolidated	
	Amount Disbursed	Adjusted Amount	Amount Disbursed	Adjusted Amount	Amount Disbursed	Adjusted Amount	Amount Disbursed	Adjusted Amount	Amount Disbursed	Adjusted Amount
Student Title IV Revenue										
Subsidized Loan	$ 2,466	$ 2,466	$ 107	$ 107	$ 103	$ 103	$ 11,381	$ 11,381	$ 220,376	$ 220,376
Unsubsidized Loan	3,732	3,732	151	151	133	133	15,155	15,155	404,221	404,221
Federal Pell Grant	3,351	3,351	81	81	162	162	12,142	12,142	220,254	220,254
FSEOG (subject to matching reduction, see Section 3, Adjustments to Student Title IV Revenue, item 1)	117	117	65	65	71	71	348	348	5,764	5,764
Federal Work Study applied to tuition and fees (subject to matching reduction)	-	-	-	-	-	-	-	-	-	-
Federal Direct PLUS Loan	463	463	10	10	7	7	1,076	1,076	19,618	19,618
All Other Title IV Loans and Grants (ACG, Iraq & Afghanistan Service Grant, SMART Grant and Perkins Loan)	-	-	-	-	-	-	-	-	60	60
Student Title IV Revenue	$ 10,129	$ 10,129	$ 414	$ 414	$ 476	$ 476	$ 40,102	$ 40,102	$ 870,293	$ 870,293
Revenue Adjustment If the amount of funds applied first plus Student Title IV revenue is more than tuition and fees, then reduce Title IV revenue by the amount over tuition and fees		(240)		(25)		(9)		(3,312)		(111,376)
Adjusted Student Title IV Revenue		$ 9,889		$ 389		$ 467		$ 36,790		$ 758,917
Student Non-Title IV Revenue										
Grant funds for the student from non-Federal public agencies or private sources independent of the institution	$ 64		$ -		$ -		$ 230		$ 6,409	
Funds provided for the student under a contractual arrangement with a Federal, State, or local government agency for the purpose of providing job training to low income individuals	382		-		-		65		5,462	
Funds used by a student from savings plans for educational expenses established on or behalf of the student that qualify for special tax treatment under the Internal Revenue Service	-		6		-		66		566	
Institutional scholarships disbursed to the student	7		6		3		106		809	
Student Payments	1,747		103		291		6,490		81,595	
Other External Funding	724		43		25		4,024		102,839	
Student Non-Title IV Revenue	$ 2,924		$ 158		$ 319		$ 10,981		$ 197,680	
Revenue Adjustment If the amount of funds applied first plus Student Title IV plus Student Non-Title IV revenue is more than tuition and fees, then reduce Non-Title IV revenue by the amount over tuition and fees		(382)		(14)		-		(2,162)		(41,290)
Adjusted Student Non-Title IV Revenue		$ 2,542		$ 144		$ 319		$ 8,819		$ 156,390
Revenue from Other Sources (Totals for the Fiscal Year)										
Activities conducted by the institution that are necessary for education and training	$ 8		$ -		$ -		$ -		$ 1,005	
Funds paid to the institution by, or on behalf of, students for education and training in qualified non-Title IV eligible programs	-		-		-		-		-	
The Net Present Value (NPV) of institutional loans disbursed to students	-		-		-		-		-	
Total Revenue from Other Sources	$ 8		$ -		$ -		$ -		$ 1,005	
Adjusted Title IV Revenue		**$ 9,889**		**$ 389**		**$ 467**		**$ 36,790**		**$ 758,917**
Adjusted Title IV Revenue + Adjusted Student Non-Title IV Revenue + Total Revenue from Other Sources		**$ 12,439 79.5%**		**$ 533 73.0%**		**$ 786 59.4%**		**$ 45,609 80.7%**		**$ 916,312 82.8%**

CAREER EDUCATION CORPORATION AND SUBSIDIARIES

SCHEDULE VI – FINANCIAL RESPONSIBILITY COMPOSITE SCORES

As of and for the Year Ended December 31, 2014

	Composite Score
Career Education Corporation and Subsidiaries	1.5

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June 26, 2015

ID Code 00015712

VIA E-MAIL ONLY

Mr. Robert Eitel
Vice President of Regulatory Operations
Career Education Corporation
231 North Martingale Road
Schaumburg, IL 60173

Dear Mr. Eitel:

This letter is a request for updated information regarding the open adverse information against Career Education Corporation (CEC) and its campuses in 16 states that have been consolidated and are coordinated by the Attorney General of Connecticut. In addition, please provide updated information regarding the open adverse cases against CEC and its campuses by Attorneys General in the states of Colorado, Florida, Massachusetts and Minnesota.

Please provide the Council with an update by **July 10, 2015**. Until this matter is resolved, please continue to provide information to the Council as it becomes available.

If you have any questions, please contact me at (202) 336-6781 or abieda@acics.org.

Sincerely,

(b)(6) [redacted]

Anthony S. Bieda
Vice President of External Affairs

Schools on HCM1 or HCM2 as of 3/1/2015

Source: PEPS as of 3/1/2015

n Name	City	State	Country	Institution Type	Stop Pay/Monitor
03880300 University of Gloucestershire (The)	Cheltenham		ENGLAND		
00401200 Hebrew University of Jerusalem (The)	Jerusalem		ISRAEL		
00891300 Lakehead University	Thunder Bay		CANADA		
03091500 University of Canberra	Bruce		AUSTRALI		
03300300 2nd Faculty of Medicine, Charles University in Prague	Praha 5		CZECH F		
03378300 Charles University in Prague - 3rd Faculty of Medicine	Prague 10		CZECH R		
00850500 University of Melbourne	Melbourne		AUSTRALIA		
01069200 University of Queensland (The)	Brisbane		AUSTRALIA		
00837700 Universiteit Van Amsterdam	Amsterdam		THE NETHERL		
00950100 University of King's College	Halifax		CANADA		
01059400 Richmond, The American International University in London	Richmond Upon Thames		ENGLAND		
01178000 Brunel University	Middlesex		ENGLAND		
01221500 Birmingham City University	Birmingham		ENGLAND		
01234100 University of Wales - Lampeter	Lampeter		WALES		
01242100 University of Auckland (The)	Auckland		NEW ZEALAND	Fc	
02180500 Middlesex University	London		ENGLAND		
02195100 University of Westminster	London		ENGLAND		
02209500 Universiteit Utrecht	Utrecht		THE NETHERLA		
02579600 Murdoch University	Murdoch Perth		AUSTRALIA		
03067200 University of Sydney	The University of Sydney		AUSTRALIA		
03349400 Queen Margaret University, Edinburgh	Edinburgh		SCOTLAND		
03684500 Medical University of Gdansk	Gdansk		POLAN		
03807300 Rose Bruford College	Sidcup		ENGLAND		
4070300 Raphael Recanati International School, The Interdisciplinary Center	Herzliya		ISRAEL	Foreign Private	HCM - Cash Monitoring 1 Financial Respon
04116300 EDHEC Business School	Roubaix Cedex 1		FRA		
03073800 University of Debrecen Medical and Health Science Center	Debrecen		HUNGARY		
00884300 Alaska Bible College	Palmer	AK			
02576900 Charter College	Anchorage	AK			
00101300 Calhoun Community College	Tanner	AL			
00102400 University of West Alabama	Livingston	AL			
00105900 Lawson State Community College	Birmingham	AL			
00100500 Alabama State University	Montgomery	AL			
00100700 Central Alabama Community College	Alexander City	AL			
00101600 University of North Alabama	Florence	AL			
00102600 Marion Military Institute	Marion	AL			
00569900 George Corley Wallace State Community College - Selma	Selma	AL			
00104100 Spring Hill College	Mobile	AL			
02341000 Fortis College	Mobile	AL			
03010600 Virginia College	Birmingham	AL			
03361400 Fortis College	Foley	AL			
04187300 Hair Academy (The)	Montgomery	AL			
00108800 Lyon College	Batesville	AR			
03007600 Arkansas Beauty School/Conway	Conway	AR			
02616700 Le Cordon Bleu College of Culinary Arts	Scottsdale	AZ			
00446700 Tucson College	Tucson	AZ			

	' Method	Method Reason Desc	
	Foreign Public	HCM - Cash Monitoring 1	Administrative Capability
	Foreign Public	HCM - Cash Monitoring 1	Audit Late/Missing
	Foreign Public	HCM - Cash Monitoring 1	Denied Recert - PPA Not Expired
A	Foreign Public	HCM - Cash Monitoring 1	Denied Recert - PPA Not Expired
REPUBLIC	Foreign Public	HCM - Cash Monitoring 1	Denied Recert - PPA Not Expired
EPUBLIC	Foreign Public	HCM - Cash Monitoring 1	Denied Recert - PPA Not Expired
	Foreign Public	HCM - Cash Monitoring 1	F/S Late/Missing
	Foreign Public	HCM - Cash Monitoring 1	F/S Late/Missing
ANDS	Foreign Public	HCM - Cash Monitoring 1	Financial Responsibility
	Foreign Public	HCM - Cash Monitoring 1	Financial Responsibility
	Foreign Private	HCM - Cash Monitoring 1	Financial Responsibility
	Foreign Public	HCM - Cash Monitoring 1	Financial Responsibility
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	Foreign Public	HCM - Cash Monitoring 1	Financial Responsibility

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NCE	Foreign Private	HCM - Cash Monitoring 1	Financial Responsibility
	Foreign Public	HCM - Cash Monitoring 1	Payment Method Changed
	Private, Nonprofit	HCM - Cash Monitoring 1	Financial Responsibility
	Proprietary	HCM - Cash Monitoring 1	Financial Responsibility
	Public	HCM - Cash Monitoring 1	Audit Late/Missing
	Public	HCM - Cash Monitoring 1	Audit Late/Missing
	Public	HCM - Cash Monitoring 1	Audit Late/Missing
	Public	HCM - Cash Monitoring 1	F/S Late/Missing
	Public	HCM - Cash Monitoring 1	F/S Late/Missing
	Public	HCM - Cash Monitoring 1	F/S Late/Missing
	Public	HCM - Cash Monitoring 1	F/S Late/Missing
	Public	HCM - Cash Monitoring 1	F/S Late/Missing
	Private, Nonprofit	HCM - Cash Monitoring 1	Financial Responsibility
	Proprietary	HCM - Cash Monitoring 1	Financial Responsibility
	Proprietary	HCM - Cash Monitoring 1	Financial Responsibility
	Proprietary	HCM - Cash Monitoring 1	Financial Responsibility
	Proprietary	HCM - Cash Monitoring 1	Financial Responsibility
	Private, Nonprofit	HCM - Cash Monitoring 1	Financial Responsibility
	Proprietary	HCM - Cash Monitoring 1	Financial Responsibility
	Proprietary	HCM - Cash Monitoring 1	Administrative Capability
	Proprietary	HCM - Cash Monitoring 1	Financial Responsibility

CAREER EDUCATION CORPORATION

March 20, 2015

Via email to abieda@acics.org

Mr. Anthony S. Bieda
Vice President of External Affairs
Accrediting Council for Independent Colleges and Schools
750 First Street, NE
Suite 980
Washington, DC 20002-4241

Re: Career Education Corporation

Dear Mr. Bieda:

I have received your March 11, 2015, letter requesting an update on selected matters currently pending regarding CEC. You specifically requested an update on the multistate investigation consolidated and coordinated by the Attorney General of Connecticut, as well the state attorney general investigations currently open in Colorado, Florida, Massachusetts, and Minnesota.

These matters remain open inquiries, and there is little to update ACICS on beyond noting that we continue to cooperate and respond to requests for information as they are received. In CEC's most recent public filing with the SEC, we noted the following (and there is nothing new to report to the agency as of this date):

> *The Attorney General of Connecticut is serving as the point of contact for inquiries received from the attorneys general of the following 16 states: Arkansas, Arizona, Connecticut, Idaho, Iowa, Kentucky, Missouri, Nebraska, North Carolina, Oregon, Pennsylvania, Washington (January 24, 2014); Illinois (December 9, 2011); Tennessee (February 7, 2014), Hawaii (May 28, 2014) and New Mexico (May 2014) (these 16 attorneys general are collectively referred to as the "Multi-State AGs"). In addition, the Company has received inquiries from the attorneys general of Florida (November 5, 2010), Massachusetts (September 27, 2012), Colorado (August 27, 2013) and Minnesota (September 18, 2014). The inquiries are civil investigative demands or subpoenas which relate to the investigation by the attorneys general of whether the Company and its schools have complied with certain state consumer protection laws, and generally focus on the Company's practices relating to the recruitment of students, graduate placement statistics, graduate certification and licensing results and student lending activities, among other matters. Depending on the state, the documents and information sought by the attorneys general in connection with their investigations cover time periods as early as 2006 to the present. The Company intends to cooperate with the states involved*

> *with a view towards resolving these inquiries as promptly as possible. In this regard, over the past several months the Company has participated in several meetings with representatives of the Multi-State AGs about the Company's business and to engage in a dialogue towards a resolution of these inquiries.*

If I may answer any questions, please contact me at 847-851-7510 or via email at reitel@careered.com.

Sincerely,

Robert S. Eitel

Robert S. Eitel
Vice President of Regulatory Operations

cc: Greg Jansen, Vice President & Deputy General Counsel

March 11, 2015

ID Code 00015712

VIA E-MAIL ONLY

Mr. Robert Eitel
Vice President of Regulatory Operations
Career Education Corporation
231 North Martingale Road
Schaumburg, IL 60173

Dear Mr. Eitel:

This letter is a request for updated information regarding the open adverse information against Career Education Corporation (CEC) and its campuses in 16 states that have been consolidated and are coordinated by the Attorney General of Connecticut. In addition, please provide updated information regarding the open adverse cases against CEC and its campuses by Attorneys General in the states of Colorado, Florida, Massachusetts and Minnesota.

Please provide the Council with an update by **March 24, 2015**. Until this matter is resolved, please continue to provide information to the Council as it becomes available.

If you have any questions, please contact me at (202) 336-6781 or abieda@acics.org.

Sincerely,

(b)(6) [redacted]

Anthony S. Bieda
Vice President of External Affairs

November 11, 2014

Via email to abieda@acics.org

Mr. Anthony S. Bieda
Vice President of External Affairs
Accrediting Council for Independent Colleges and Schools
750 First Street, NE
Suite 980
Washington, DC 20002-4241

Re: Career Education Corporation

Dear Mr. Bieda:

I am in receipt of your November 10, 2014, letter requesting an update on selected matters currently pending regarding CEC. You specifically requested an update on the state investigations currently open in Florida and Illinois involving CEC-owned campuses.

These matters remain open inquiries, and there is little to update ACICS on beyond noting that we continue to cooperate and respond to requests for information as they are received. In CEC's most recent public filing with the SEC, we noted the following (and there is nothing new to report to the agency as of this date):

> *The Attorney General of Connecticut is serving as the point of contact for inquiries received from the attorneys general of the following 16 states: Arkansas, Arizona, Connecticut, Idaho, Iowa, Kentucky, Missouri, Nebraska, North Carolina, Oregon, Pennsylvania, Washington (January 24, 2014); Illinois (December 9, 2011); Tennessee (February 7, 2014), Hawaii (May 28, 2014) and New Mexico (May 2014). In addition, the Company has received inquiries from the attorneys general of Florida (November 5, 2010), Massachusetts (September 27, 2012), Colorado (August 27, 2013) and Minnesota (September 18, 2014). The inquiries are civil investigative demands or subpoenas which relate to the investigation by the attorneys general of whether the Company and its schools have complied with certain state consumer protection laws, and generally focus on the Company's practices relating to the recruitment of students, graduate placement statistics, graduate certification and licensing results and student lending activities, among other matters. Depending on the state, the documents and information sought by the attorneys general in connection with their investigations cover time periods as early as 2006 to the present. The Company intends to cooperate with the states involved with a view towards resolving these inquiries as promptly as possible.*

If I may answer any questions, please contact me at 847-851-7510 or via email at reitel@careered.com.

Sincerely,

Robert S. Eitel

Robert S. Eitel
Vice President & Deputy General Counsel

cc: Ms. Diane Auer Jones, Senior Vice President & Chief External Affairs Officer

November 10, 2014 ID Code 00015712

VIA E-MAIL ONLY

Mr. Robert Eitel
Vice President of Regulatory Operations
Career Education Corporation
231 North Martingale Road
Schaumburg, IL 60173

Dear Mr. Eitel:

This letter is a request for updated information regarding the open adverse information against Sanford-Brown campuses in Florida raised by the Attorney General of Florida. In addition, please provide updated information regarding the open adverse against CEC owned campuses in Illinois by the Illinois Attorney General.

Please provide the Council with an update by **November 21, 2014**. Until this matter is resolved, please continue to provide information to the Council as it becomes available.

If you have any questions, please contact me at (202) 336-6781 or abieda@acics.org.

Sincerely,

(b)(6) [redacted]

Anthony S. Bieda
Vice President of External Affairs

CAREER EDUCATION CORPORATION

July 28, 2014

Via email to abieda@acics.org

Mr. Anthony S. Bieda
Director of External Affairs
Accrediting Council for Independent Colleges and Schools
750 First Street, NE
Suite 980
Washington, DC 20002-4241

Re: Career Education Corporation

Dear Mr. Bieda:

Career Education Corporation ("CEC") is in receipt of your July 15, 2014, letter addressed to Scott Steffey requesting an update on selected matters currently pending regarding CEC. You specifically requested an update on the state investigations currently open in Florida and Illinois involving CEC-owned campuses.

These matters remain open inquiries, and there is little to update ACICS on beyond noting that we continue to cooperate and respond to requests for information as they are received. In CEC's most recent public filing with the SEC, we noted the following (and there is nothing new to report to the agency as of this date):

> *The Attorney General of Connecticut is serving as the point of contact for inquiries received from the attorneys general of the following 14 states: Arkansas, Arizona, Connecticut, Idaho, Iowa, Kentucky, Missouri, Nebraska, North Carolina, Oregon, Pennsylvania and Washington (January 24, 2014); Illinois (December 9, 2011); and Tennessee (February 7, 2014). In addition, the Company has received inquiries from the Attorneys General of Florida (November 5, 2010), Massachusetts (September 27, 2012) and Colorado (August 27, 2013). The inquiries are civil investigative demands or subpoenas which relate to the investigation by the attorneys general of whether the Company and its schools have complied with certain state consumer protection laws, and generally focus on the Company's practices relating to the recruitment of students, graduate placement statistics, graduate certification and licensing results and student lending activities, among other matters. Depending on the state, the documents and information sought by the attorneys general in connection with their investigations cover time periods as early as 2006 to the present. The Company intends to cooperate with the states involved with a view towards resolving these inquiries as promptly as possible.*

If I may answer any questions, please contact me at 847-851-7510 or via email at reitel@careered.com.

Sincerely,

Robert S. Eitel

Robert S. Eitel
Vice President & Deputy General Counsel

cc: Ms. Diane Auer Jones, Senior Vice President & Chief External Affairs Officer

July 15, 2014

ID Code 00015712

VIA E-MAIL ONLY

Mr. Scott W. Steffey
President and Chief Executive Officer
Career Education Corporation
231 North Martingdale Road
Schaumburg, IL 60173

Dear Mr. Steffey:

This letter is a request for updated information regarding the open adverse information against Sanford-Brown campuses in Florida raised by the Attorney General of Florida. In addition, please provide updated information regarding the open adverse against CEC owned campuses in Illinois by the Illinois Attorney General.

Please provide the Council with an update by **July 25, 2014**. Until this matter is resolved, please continue to provide information to the Council as it becomes available.

If you have any questions, please contact me at (202) 336-6781 or abieda@acics.org.

Sincerely,

Anthony S. Bieda
Vice President of External Affairs

CAREER EDUCATION
CORPORATION

March 19, 2014

Mr. Anthony S. Bieda
Director of External Affairs
Accrediting Council for Independent Colleges and Schools
750 First Street, NE, Suite 980
Washington, DC 20002-4241

Re: <u>Career Education Corporation</u>

Dear Mr. Bieda,

Career Education Corporation ("CEC") is in receipt of your March 7, 2014 letter addressed to Scott Steffey requesting an update on selected matters currently pending regarding CEC. You requested an update on the state investigations currently open in Florida and Illinois involving CEC-owned campuses.

These matters remain open inquiries and there is little to update ACICS on beyond noting that we continue to cooperate and respond to requests for information as they are received. Relative to state Attorney General inquiries, in CEC's most recent public filing made on February 27, 2014, we noted that:

> On January 24, 2014, the Company received inquiries from the Attorneys General of Arkansas, Arizona, Connecticut, Idaho, Iowa, Kentucky, Missouri, Nebraska, North Carolina, Oregon, Pennsylvania and Washington regarding the Company's business practices, and on February 7, 2014 the Company received a related inquiry from the Attorney General of Tennessee. The Attorney General of Connecticut has informed the Company that it will serve as the point of contact for these 13 inquiries. In addition, the Company has received inquiries from the Attorneys General of Florida (November 5, 2010), Illinois (December 9, 2011), Massachusetts (September 27, 2012) and Colorado (August 27, 2013). The inquiries are civil investigative demands or subpoenas which relate to the investigation by the attorneys general of whether the Company and its schools have complied with certain state consumer protection laws, and generally focus on the Company's practices relating to the recruitment of students, graduate placement statistics, graduate certification and licensing results and student lending activities, among other matters. Depending on the state, the documents and information sought by the attorneys general in connection with their investigations cover time periods as early as 2006 to the present. The Company intends to cooperate with the states involved with a view towards resolving these inquiries as promptly as possible.

Please do not hesitate to contact me if you have any additional questions or if we can provide further information about this topic. You may contact me at 847-585-3863 or e-mail at gjansen@careered.com.

Sincerely,

(b)(6)
[redacted]
Vice President & Deputy General Counsel

cc: Ms. Diane Auer Jones, Senior Vice President for External and Regulatory Affairs
Mr. Robert Eitel, Vice President of Regulatory Operations
Ms. Jill DeAtley, Vice President of Regulatory Review

March 7, 2014

VIA E-MAIL ONLY

Mr. Terance A. Gonsalves
Vice President and Deputy General Counsel, Litigation
Career Education Corporation
231 N. Martingale Road
Schaumburg, IL 60173

Dear Mr. Gonsalves:

This letter is a request for updated information regarding the open adverse information against Sanford-Brown campuses in Florida raised by the Attorney General of Florida. In addition, please provide updated information regarding the open adverse against CEC owned campuses in Illinois by the Illinois Attorney General.

Please provide the Council with an update by **March 21, 2014**. Until this matter is resolved, please continue to provide information to the Council as it becomes available.

If you have any questions, please contact me at (202) 336-6781 or abieda@acics.org.

Sincerely,

(b)(6) [redacted]

Anthony S. Bieda
Vice President of External Affairs

CAREER EDUCATION CORPORATION

November 7, 2013

Mr. Anthony S. Bieda
Director of External Affairs
Accrediting Council for Independent Colleges and Schools
750 First Street, NE, Suite 980
Washington, DC 20002-4241

Re: Career Education Corporation

Dear Mr. Bieda,

Career Education Corporation ("CEC") is in receipt of your October 23, 2013 letters addressed to Scott Steffey requesting an update on selected matters currently pending regarding CEC. You requested an update on the state investigations currently open (New York, Florida, Illinois) involving CEC-owned campuses.

As publicly disclosed at the end of August, we finalized an agreement with the Attorney General of the State of New York. The two remaining matters remain open inquiries and there is little to update ACICS on beyond noting that we continue to cooperate and respond to requests for information as they are received. CEC included the following update on all three matters in its most recently filed Quarterly Report on Form 10-Q filed with the SEC on November 7, 2013:

> The Company received from the Attorney General of the State of New York ("NYAG") a Subpoena Duces Tecum dated May 17, 2011 (the "Subpoena"), relating to the NYAG's investigation of whether the Company and certain of its schools have complied with certain New York state consumer protection, securities, finance and other laws. The documents and information sought by the NYAG in connection with its investigation cover the time period from May 17, 2005 to the present. Pursuant to the Subpoena, the NYAG requested from the Company, and certain of its schools, documents and detailed information on a broad spectrum of business practices, including such areas as marketing and advertising, student recruitment and admissions, education financing, training and compensation of admissions and financial aid personnel, programmatic accreditation, student employment outcomes, placement rates of graduates and other disclosures made to students.
>
> On August 19, 2013, the Company entered into an Assurance of Discontinuance (the "NYAG Settlement') with the NYAG. Under the terms of the NYAG Settlement, without admitting or denying the NYAG's findings, the Company has agreed to pay \$9.3 million into a restitution fund to be distributed to eligible consumers; an additional \$1.0 million for fees, costs, and penalties; and up to an additional \$0.2 million for the costs to administer the restitution claims process. The Company recorded \$10.0 million related to this matter during the second quarter of 2013 when the matter was deemed both probable and estimable. \$10.3 million was paid during the third quarter of 2013 related to this matter. As part of the NYAG Settlement, the Company has also agreed to, among other things: calculate and disclose placement rates according to agreed upon procedures and

retain an independent consultant or audit firm to independently verify and report on such placement rates; provide specified levels of placement assistance to students; provide certain additional training to admissions personnel regarding placement rates; teach out certain programs going forward that do not achieve specified minimum placement rates; provide additional disclosure concerning institutional and programmatic accreditation; and provide additional disclosure concerning transferability of credits to other colleges or universities.

The Florida campuses of Sanford-Brown Institute received a notice on November 5, 2010 from the State of Florida Office of the Attorney General ("FL AG") that it has commenced an investigation into possible unfair and deceptive trade practices at these schools. The notice includes a subpoena to produce documents and detailed information for the time period from January 1, 2007 to the present about a broad spectrum of business practices at such schools. The Florida campuses of Sanford-Brown Institute have responded to the subpoena and continue to cooperate with the Florida Attorney General with a view towards resolving this inquiry as promptly as possible.

The Company received from the Attorney General of the State of Illinois ("IL AG") a Civil Investigative Demand ("CID") dated December 9, 2011. The CID relates to the IL AG's investigation of whether the Company and its schools operating in Illinois have complied with certain Illinois state consumer protection laws. Pursuant to the CID, the IL AG has requested from the Company and its schools documents and detailed information on a broad spectrum of business practices, including such areas as marketing and advertising, student recruitment and admissions, education financing, training and compensation of admissions and financial aid personnel, programmatic accreditation, student employment outcomes, placement rates of graduates and other financial and organizational information. The documents and information sought by the IL AG in connection with its investigation cover the time period from January 1, 2006 to the present. The Company is cooperating with the IL AG's office with a view towards resolving this inquiry as promptly as possible.

Please do not hesitate to contact me if you have any additional questions or if we can provide further information about this topic. You may contact me at 847-585-3863 or e-mail at gjansen@careered.com.

Sincerely,

(b)(6)

[redacted]

Vice President & Deputy General Counsel

cc: Ms. Diane Auer Jones, Senior Vice President for External and Regulatory Affairs
Mr. Robert Eitel, Vice President of Regulatory Operations
Ms. Jill DeAtley, Vice President of Regulatory Review

October 23, 2013

VIA E-MAIL ONLY

Mr. Scott W. Steffey
President and Chief Executive Officer
Career Education Corporation
231 North Martingdale Road
Schaumburg, IL 60173

Dear Mr. Steffey:

This letter is a request for updated information regarding the state investigations currently open in New York, Florida and Illinois involving CEC-owned campuses.

Please provide the Council with an update by **November 8, 2013**. Until this matter is resolved, please continue to provide information to the Council as it becomes available.

If you have any questions, please contact me at (202) 336-6781 or abieda@acics.org.

Sincerely,

(b)(6) [redacted]

Anthony S. Bieda
Vice President of External Affairs

750 First Street, NE, Suite 980 • Washington, DC 20002-4223 • t - 202.336.6780 • f - 202.842.2593 • www.acics.org

ACCREDITING COUNCIL FOR INDEPENDENT COLLEGES AND SCHOOLS

ACICS

September 16, 2013 ID Code 00020950

VIA E-MAIL ONLY

Ms. Cybil Talley
Sanford-Brown College
1140 Hammond Drive, NE
Suite A-1150
Atlanta, GA 30328

acicsinfo@sbcatlanta.com

Dear Ms. Talley:

The Council is in receipt of a letter from the Atlanta School Participation Division (Atlanta SPD) regarding the failure of Sanford-Brown College, Schaumburg, Illinois to meet the non-Title IV revenue requirement (90/10) for the fiscal year ended December 31, 2011. As a result, the institution is provisionally certified effective January 1, 2012.

The institution is reminded that in the event of two consecutive fiscal year failures, the institution is subject to a loss of Title IV eligibility for at least two consecutive fiscal years thereafter.

Please provide a copy of the institution's Provisional Participation Agreement and a narrative explanation of how the institution plans to remedy this situation no later than **September 30, 2013**.

We appreciate your continued attention to this matter. If you have any questions, please contact me at catkinson@acics.org.

Sincerely,

(b)(6) [redacted]

Carl Atkinson
Institutional Finance Specialist

c: Mr. Elford Davis, ACICS

CAREER EDUCATION CORPORATION

SENT VIA EMAIL

July 26, 2013

Mr. Anthony S. Bieda
Director of External Affairs
Accrediting Council for Independent Colleges and Schools
750 First Street, NE, Suite 980
Washington, DC 20002-4241

Re: Career Education Corporation

Dear Mr. Bieda:

Career Education Corporation ("CEC") is in receipt of your July 16, 2013, letters to Scott Steffey and Terance Gonsalves requesting an update on selected matters currently pending regarding CEC. For ease of review, I have included your original request followed by CEC's update or response:

1. The review of materials submitted to the Chicago/Denver School Participation Team;

On December 22, 2011, CEC received an open ended request from the US Department of Education that it provide monthly updates on select matters to their Chicago School Participation Team. We have continued to provide the monthly updates due on or before the 15^{th} of each month. Our latest submission was sent on July 15, 2013. We believe we are current in our delivery of requested materials to the Department and that it is continuing its review of these materials. We do not know when they expect to have their review completed.

2. The state investigations currently open (New York, Florida, Illinois) involving CEC-owned campuses; and

There is little to update in terms of these open inquiries beyond noting that we continue to cooperate and respond to requests for information as they are received. CEC included the following update on these matters in its most recently filed Quarterly Report on Form 10-Q filed with the SEC on May 6, 2013:

> The Company received from the Attorney General of the State of New York ("NYAG") a Subpoena Duces Tecum dated May 17, 2011 (the "Subpoena"), relating to the NYAG's investigation of whether the Company and certain of its schools have complied with certain New York state consumer protection, securities, finance and other laws. Pursuant to the Subpoena, the NYAG has requested from the Company, and certain of its schools, documents and detailed information on a broad spectrum of business practices, including such areas as marketing and advertising, student recruitment and admissions, education financing, training and compensation of admissions and financial aid personnel, programmatic accreditation, student employment outcomes, placement rates of graduates and other disclosures made to students. The documents and information sought by the NYAG in connection with its investigation cover the time period from May 17, 2005 to the present. As previously disclosed, at the direction of the Company's Board of Directors, an independent internal investigation was conducted into the determination of placement rates at the Company's Health Education segment schools as well as a review of such

practices at all of its other domestic schools. The Company has reported the results of this investigation to the NYAG. The Company continues to cooperate with the NYAG with a view towards resolving this inquiry as promptly as possible.

The Florida campuses of Sanford-Brown Institute received a notice on November 5, 2010 from the State of Florida Office of the Attorney General that it has commenced an investigation into possible unfair and deceptive trade practices at these schools. The notice includes a subpoena to produce documents and detailed information for the time period from January 1, 2007 to the present about a broad spectrum of business practices at such schools. The Florida campuses of Sanford-Brown Institute have responded to the subpoena and continue to cooperate with the Florida Attorney General with a view towards resolving this inquiry as promptly as possible.

The Company received from the Attorney General of the State of Illinois ("IL AG") a Civil Investigative Demand ("CID") dated December 9, 2011. The CID relates to the IL AG's investigation of whether the Company and its schools operating in Illinois have complied with certain Illinois state consumer protection laws. Pursuant to the CID, the IL AG has requested from the Company and its schools documents and detailed information on a broad spectrum of business practices, including such areas as marketing and advertising, student recruitment and admissions, education financing, training and compensation of admissions and financial aid personnel, programmatic accreditation, student employment outcomes, placement rates of graduates and other financial and organizational information. The documents and information sought by the IL AG in connection with its investigation cover the time period from January 1, 2006 to the present. The Company is cooperating with the IL AG's office with a view towards resolving this inquiry as promptly as possible.

3. The Show-Cause Order issued against 10 Career Education Corporation (CEC) campuses by the Accrediting Commission of Career Schools and Colleges (ACCSC).

This show-cause directive was lifted on December 5, 2012. We previously reported this information to ACICS in our March 20, 2013, letter in which ACICS requested an update regarding this matter.

Please note that Mr. Gonsalves is no longer with the Company. For that reason and since the inquiry letters from your agency address an overlapping item (the status of the Florida Attorney General investigation), we request that in the future these inquires be consolidated.

Please do not hesitate to contact me if you have any additional questions or if we can provide further information about this topic. You may contact me at 847-585-3863 or e-mail at gjansen@careered.com.

Sincerely,

(b)(6) [redacted]

Greg Jansen
Vice President & Deputy General Counsel

cc: Ms. Jill DeAtley, Vice President of Regulatory Review

July 16, 2013

VIA E-MAIL ONLY

Mr. Scott W. Steffey
President and Chief Executive Officer
Career Education Corporation
231 North Martingdale Road
Schaumburg, IL 60173

Dear Mr. Steffey:

This letter is a request for updated information regarding the following outstanding issues:

1. The review of the materials submitted to the Chicago/ Denver School Participation Team;

2. The state investigations currently open (New York, Florida, Illinois) involving CEC-owned campuses; and

3. The Show-Cause Order issued against 10 Career Education Corporation (CEC) campuses by the Accrediting Commission of Career Schools and Colleges (ACCSC).

Please provide the Council with an update by **July 26, 2013**. Until this matter is resolved, please continue to provide information to the Council as it becomes available.

If you have any questions, please contact me at (202) 336-6781 or abieda@acics.org.

Sincerely,

(b)(6) [redacted]

Anthony S. Bieda
Vice President of External Affairs

July 16, 2013

VIA E-MAIL ONLY

Mr. Terance A. Gonsalves
Vice President and Deputy General Counsel, Litigation
Career Education Corporation
231 N. Martingale Road
Schaumburg, IL 60173

Dear Mr. Gonsalves:

This letter is a request for updated information regarding the open adverse information against Sanford-Brown campuses in Florida raised by the Attorney General of Florida.

Please provide the Council with an update by **July 26, 2013**. Until this matter is resolved, please continue to provide information to the Council as it becomes available.

If you have any questions, please contact me at (202) 336-6781 or abieda@acics.org.

Sincerely,

(b)(6) [redacted]

Anthony S. Bieda
Vice President of External Affairs

June 20, 2013 ID Code 00020950

Mr. Bryan R. Gulebian *acicsinfo@sbcatlanta.com*
Sanford-Brown College
Executive Director
1140 Hammond Drive
Suite A-1150
Atlanta, GA 30328

Dear Mr. Gulebian:

The Council is in receipt of a letter from the U.S. Department of Education Atlanta School Participation Division regarding the failure of Sanford-Brown College to meet the non-Title IV revenue requirement (90/10) for the fiscal year ended December 31, 2011. As a result, the institution is provisionally certified effective July 1, 2012. (LEAVE, DON'T WORRY, I WILL FIX)

The institution is reminded that in the event of two consecutive fiscal year failures, the institution is subject to a loss of Title IV eligibility for at least two consecutive fiscal years thereafter.

Please include along with your quarterly financial reporting update due **July 10, 2013**, a copy of the institution's Provisional Participation Agreement and a narrative explanation of how the institution plans to remedy this situation.

We appreciate your continued attention to this matter. If you have any questions, please contact me at (202) 336-6845 or sfrazier@acics.org.

Sincerely,

Sarah Frazier
Senior Research Coordinator

c: Mr. Elford Davis, ACICS

CAREER EDUCATION CORPORATION

March 20, 2013

Mr. Anthony S. Bieda
Director of External Affairs
Accrediting Council for Independent Colleges and Schools
750 First Street, NE, Suite 980
Washington, DC 20002-4241

RECEIVED
MAR 22 2013
BY: Fed Ex

Re: Career Education Corporation

Dear Mr. Bieda,

Career Education Corporation ("CEC") is in receipt of your March 12, 2013 letters addressed to Steven Lesnik and Terance A. Gonsalves requesting an update on selected matters currently pending regarding CEC. For ease of review, I have included your original request followed by CEC's update or response:

1. The review of materials submitted to the Chicago/Denver School Participation Team;

On December 22, 2011, CEC received an open ended request from the US Department of Education that it provide monthly updates on select matters to their Chicago School Participation Team. We have continued to provide the monthly updates due on or before the 15th of each month. Our latest submission is scheduled to be delivered on March 15, 2013. We believe we are current in our delivery of requested materials to the Department and that it is continuing its review of these materials. We do not know when they expect to have their review completed.

2. The state investigations currently open (New York, Florida, Illinois) involving CEC-owned campuses; and

There is little to update in terms of these open inquiries beyond noting that we continue to cooperate and respond to requests for information as they are received. CEC included the following update on these matters in its most recently filed Quarterly Report on Form 10-K filed with the SEC on February 28, 2013:

> The Company received from the Attorney General of the State of New York ("NYAG") a Subpoena Duces Tecum dated May 17, 2011 (the "Subpoena"), relating to the NYAG's investigation of whether the Company and certain of its schools have complied with certain New York state consumer protection, securities, finance and other laws. Pursuant to the Subpoena, the NYAG has requested from the Company, and certain of its schools, documents and detailed information on a broad spectrum of business practices, including such areas as marketing and advertising, student recruitment and admissions, education financing, training and compensation of admissions and financial aid personnel, programmatic accreditation, student employment outcomes, placement rates of graduates and other disclosures made to students. The documents and information sought by the NYAG in connection with its investigation cover the time period from May 17, 2005 to the present. As previously disclosed, at the direction of the Company's Board of Directors, an independent internal investigation was conducted into the determination of placement rates at the Company's Health Education segment schools as well as a review of such practices at all of its other domestic schools. The Company has reported the

results of this investigation to the NYAG. The Company continues to cooperate with the NYAG with a view towards resolving this inquiry as promptly as possible.

The Florida campuses of Sanford-Brown Institute received a notice on November 5, 2010 from the State of Florida Office of the Attorney General that it has commenced an investigation into possible unfair and deceptive trade practices at these schools. The notice includes a subpoena to produce documents and detailed information for the time period from January 1, 2007 to the present about a broad spectrum of business practices at such schools. The Florida campuses of Sanford-Brown Institute have responded to the subpoena and continue to cooperate with the Florida Attorney General with a view towards resolving this inquiry as promptly as possible.

The Company received from the Attorney General of the State of Illinois ("IL AG") a Civil Investigative Demand ("CID") dated December 9, 2011. The CID relates to the IL AG's investigation of whether the Company and its schools operating in Illinois have complied with certain Illinois state consumer protection laws. Pursuant to the CID, the IL AG has requested from the Company and its schools documents and detailed information on a broad spectrum of business practices, including such areas as marketing and advertising, student recruitment and admissions, education financing, training and compensation of admissions and financial aid personnel, programmatic accreditation, student employment outcomes, placement rates of graduates and other financial and organizational information. The documents and information sought by the IL AG in connection with its investigation cover the time period from January 1, 2006 to the present. The Company is cooperating with the IL AG's office with a view towards resolving this inquiry as promptly as possible.

3. The Show-Cause Order issued against 10 Career Education Corporation (CEC) campuses by the Accrediting Commission of Career Schools and Colleges (ACCSC).

This show-cause directive has been lifted. CEC publicly provided the following update on this matter in an 8-K filed with the SEC on December 18, 2012:

On December 5, 2012, the Accrediting Commission of Career Schools and Colleges ("ACCSC") sent letters notifying Career Education Corporation (the "Company") that at its recent meeting, ACCSC vacated the June 2012 show cause order for all ten of the Company's ACCSC-accredited campuses. These campuses are now free to pursue new program approvals. These campuses were asked to provide additional data regarding the reporting of employment placements and independent re-verification of placements on a periodic basis.

Please do not hesitate to contact me if you have any additional questions or if we can provide further information about this topic. You may contact me at 847-585-3863 or e-mail at gjansen@careered.com.

Sincerely,

(b)(6) [redacted]

Greg Jansen
Vice President & Deputy General Counsel

cc: Ms. Diane Auer Jones, Senior Vice President for External and Regulatory Affairs
Mr. Robert Eitel, Vice President of Regulatory Operations
Ms. Jill DeAtley, Vice President of Regulatory Review

March 12, 2013

VIA E-MAIL ONLY

Mr. Steven Lesnik
President and Chief Executive Officer
Career Education Corporation
231 North Martingdale Road
Schaumburg, IL 60173

Dear Mr. Lesnik:

This letter is a request for updated information regarding the following outstanding issues:

1. The review of the materials submitted to the Chicago/ Denver School Participation Team;

2. The state investigations currently open (New York, Florida, Illinois) involving CEC-owned campuses; and

3. The Show-Cause Order issued against 10 Career Education Corporation (CEC) campuses by the Accrediting Commission of Career Schools and Colleges (ACCSC).

Please provide the Council with an update by **March 22, 2013**. Until this matter is resolved, please continue to provide information to the Council as it becomes available.

If you have any questions, please contact me at (202) 336-6781 or abieda@acics.org.

Sincerely,

(b)(6) [redacted]

Anthony S. Bieda
Director of External Affairs

750 First Street, NE, Suite 980 • Washington, DC 20002-4223 • t - 202.336.6780 • f - 202.842.2593 • www.acics.org

ACCREDITING COUNCIL FOR INDEPENDENT COLLEGES AND SCHOOLS

March 12, 2013

VIA E-MAIL ONLY

Mr. Terance A. Gonsalves
Vice President and Deputy General Counsel, Litigation
Career Education Corporation
231 N. Martingale Road
Schaumburg, IL 60173

Dear Mr. Gonsalves:

This letter is a request for updated information regarding the open adverse information against Sanford-Brown campuses in Florida raised by the Attorney General of Florida.

If any additional information regarding the matter has come to light**,** please provide the Council with an update by **March 22, 2013**. Until this matter is resolved, please continue to provide information to the Council as it becomes available.

If you have any questions, please contact me at (202) 336-6781 or abieda@acics.org.

Sincerely,

Anthony S. Bieda
Director of External Affairs

ACCREDITING BUREAU OF HEALTH EDUCATION SCHOOLS
7777 Leesburg Pike Suite 314 N · Falls Church, Virginia 22043
Tel. 703/917.9503 · Fax 703/917.4109 · E-Mail info@abhes.org

February 22, 2013 ID#: MA-360

By electronic transmission and mail

Mr. Rolando Manna
Campus Director
Sanford-Brown Institute
333 Westchester Avenue, 1st Floor
White Plains, NY 10604

Dear Mr. Manna:

This confirms receipt of your institution's intent to appeal the withdrawal of accreditation by the Accrediting Bureau of Health Education Schools (ABHES). A check in the amount of $5,000 has also been received.

Appeals are strictly governed by Chapter III.E.2 and III.E.3 of the *Accreditation Manual*. You are reminded that under these provisions a complete written statement of the grounds for its appeal based on the Commission's findings and reasons is due no later than **March 25, 2013**.

Additional information regarding the appeal hearing, including date, time, location, and appeal panelists is forthcoming.

The institution's grant of accreditation is extended through the resolution of the appeal.

Please contact me at 866.463.0717 with any questions. Thank you.

Sincerely,

Carol A. Moneymaker

Carol A. Moneymaker
Executive Director

c: Kay Gilcher, U.S. Department of Education
Betty Coughlin, U.S. Department of Education School Participation Team
Carole W. Yates, NYSED Bureau of Proprietary School Supervision
Dr. Albert Gray, Accrediting Council for Independent Colleges and Schools (ACICS)
Donald Balasa, American Association of Medical Assistants
Christopher Damon, American Medical Technologists
Diane Auer Jones, Senior Vice President for External and Regulatory Affairs, Career Education Corporation
Elise Scanlon, Esquire (Appeal Panel Counsel)
Michael White, Director of Legal and Regulatory Affairs, ABHES

February 7, 2013 ID#: MA-352

FEDERAL EXPRESS
SIGNATURE REQUIRED

Ms. Greta Bonaparte
President
Sanford-Brown Institute
8401 Corporate Drive, Suite 155
Landover, MD 20785

Dear Ms. Greta Bonaparte:

By letter dated August 10, 2012, the Commission of the Accrediting Bureau of Health Education Schools (ABHES) directed the institution to show cause why the programmatic accreditation of the medical assisting program should not be withdrawn. That letter specifically informed the institution that it had failed its burden of demonstrating that:

1. Accurate records of graduate placement and related activities are maintained for the program (V.G.2.); and,

2. Graduates are successful on credentialing exams required for employment, and are successfully employed in the field, or related field, for which they were trained (V.I.3.).

The August 10, 2012, show-cause directive informed the institution that its response must include a placement verification report listing all graduates and providing specific stated detail for each. The show-cause directive also informed the institution that it must submit detailed explanations for each graduate categorized as working in a related field or categorized as unavailable for placement. In October 2012, the institution responded to the August 10, 2012 show-cause directive.

At its January 2103 meeting, the Commission reviewed the institution's response. Based on its review, the Commission found that the institution had failed to respond appropriately to specific requirements set forth in the show-cause directive. The Commission concluded that the institution had failed its burden of demonstrating compliance with specific accreditation requirements following a full and fair opportunity to do so. On this basis, the Commission acted to **withdraw the institution's medical assisting programmatic accreditation** based on the institution's failure to demonstrate compliance with the following requirements set forth in the *Accreditation Manual* (section numbers from the Manual shown in parentheses):

1. Accurate records of graduate placement and related activities are maintained for the program (V.G.2.); and,

2. A program demonstrates that students complete their program and that graduates are successful on credentialing exams required for employment, and are successfully employed in the field, or related field, for which they were trained (V.I.3.).

In reaching these conclusions, the Commission found that the institution's documentation in response to the show-cause directive was insufficient to meet the institution's burden of showing compliance. The graduates' placement and employment document submitted in the institution's October 2012 response was presented in such a format that no reasonable reviewer could validate the status of each individual graduate based on the manner in which the documentation was provided. The fact that the institution chose to submit the data in such an unintelligible manner supported the Commission's conclusion that the institution has simply failed to carry it burden of demonstrating compliance.

Should the institution wish to appeal it may do so by filing its intent to appeal the Commission action no later than Wednesday, February 20, 2013. A non-refundable $5,000.00 appeal fee must accompany this request. The appeal document, due within 45 calendar days of the Commission action, must include the $10,000 deposit for the appeal panel member expenses (see the *Accreditation Manual*). The institution will be provided a summary of expenses following the hearing and will be refunded or charged the difference from the $10,000 deposit. The institution should review carefully all procedures governing its appeal, in accordance with the procedures found in Chapter III.E.2. of the *Accreditation Manual*. The appeal is based upon the information available to the Commission at the time of its action.

Response Requirements

Should the institution wish to appeal, the appeal document must be submitted in eight (8) hard copies as well as on a USB (stick) drive or on a CD Rom. The cover letter, narrative, and exhibits on the USB (stick) or on CD Rom must be in formatted in accordance with the instructions "Preparing Your Institution's Response" found under the Forms Tab on the ABHES Website at www.abhes.org/forms. Please be advised, according to the instructions, electronic bookmarks must be used to identify supporting exhibits in the response. **A response, which does not include electronic bookmarked exhibits, will not be accepted.**

It is imperative that the USB drive or the CD Rom is properly labeled with the (1) institution's name, (2) city/state, (3) ABHES ID #, (4) Response to February 2013 Letter, and (5) date.

Should the institution not appeal, the decision to withdraw is effective immediately. The institution may not reapply for accreditation by ABHES until a one-year period of time has passed from the date of this action.

Chapter I.B.1 of the *Accreditation Manual* provides that within 60 days of this final negative action, the Commission makes available upon request to the Secretary of the U.S. Department of Education, appropriate state agencies, recognized accrediting agencies, and the public a brief statement summarizing the reasons for this negative action and the official comments, if any, that your institution wishes to make with regard to this decision, or in the absence of official comment from your institution evidence that the institution or program was offered the opportunity to provide official comment. Consequently, if you wish to make a brief official written comment on this negative action you must do so within 10 calendar days of the date of this letter. You are not required to make such statement, and failure to do so within the time allotted will be understood as a decision not to comment.

If you have any questions concerning this correspondence, please contact me directly at (866) 463-0717.

Sincerely,

Carol A. Moneymaker
Executive Director

c: Kay Gilcher, U.S. Department of Education
Betty Coughlin, U.S. Department of Education School Participation Team
Dean Kendall, Maryland Higher Education Commission – Workforce Development
Dr. Albert Gray, Accrediting Council for Independent Colleges and Schools (ACICS)
Donald Balasa, American Association of Medical Assistants
Christopher Damon, American Medical Technologists
Diane Auer Jones, SVP for External and Regulatory Affairs, Career Education Corporation