

CAREER EDUCATION CORP (CECO)

8-K

Current report filing

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

FORM 8-K

CURRENT REPORT

Pursuant to Section 13 or 15(d) of the
Securities Exchange Act of 1934

Date of Report (Date of Earliest Event Reported): June 7, 2012

Career Education Corporation

(Exact Name of Registrant as Specified in Charter)

Delaware
(State or Other Jurisdiction
of Incorporation)

0-23245
(Commission
File Number)

36-3932190
(IRS Employer
Identification No.)

231 N. Martingale Rd., Schaumburg, IL
(Address of Principal Executive Offices)

60173
(Zip Code)

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

Not applicable

(Former Name or Former Address, if Changed Since Last Report)

Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions (see General Instruction A.2. below):

- Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)
 - Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)
 - Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))
 - Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))
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Item 8.01. Other Events.

On June 7, 2012, Career Education Corporation (the "Company") received a letter from the Accrediting Commission of Career Schools and Colleges ("ACCSC") notifying the Company that ACCSC voted to direct the Company's ten ACCSC-accredited campuses (the "Institutions") to show cause as to why accreditation should not be withdrawn from each of the Institutions. The show-cause directive stems from ACCSC's previously disclosed information requests regarding the Institutions' student placement determination practices and reported employment rates to ACCSC.

The Company last month announced that the Accrediting Council for Independent Colleges and Schools ("ACICS") vacated its show-cause directive, which also centered on the determination of past student employment placement rates. For further information regarding this ACICS action, please refer to Note 8 "Commitments and Contingencies" of the notes to the Company's unaudited consolidated financial statements in its Quarterly Report on Form 10-Q for the quarter ended March 31, 2012, which was filed with the Securities and Exchange Commission ("SEC") on May 10, 2012. Nine of the ten Institutions are dually accredited by ACCSC and ACICS and were included in the now-vacated ACICS show-cause directive.

The letter from ACCSC sets forth the accreditor's requirements for the Institutions to demonstrate compliance with its accrediting standards, which include the submission of 2012 ACCSC employment placement rate data for each program offered at the Institutions, engagement of an independent third-party to audit 100 percent of this employment placement rate data, additional analysis of previously submitted placement data and an update regarding the status of ACICS accreditation for the Institutions and the related U.S. Department of Education request for additional information. The Company will assemble the requested information, which is due no later than September 7, 2012 for review at the November 2012 ACCSC meeting, and will continue working with ACCSC with a view towards resolving this inquiry as promptly as possible.

During the pendency of the ACCSC show-cause directive, the Institutions remain accredited. The Institutions have, however, been subject to an ACCSC restriction on any new programs or campuses and include Le Cordon Bleu Institute of Culinary Arts – Pittsburgh, which as previously disclosed is currently in the process of teaching out its programs.

As discussed in our prior filings with the SEC, the Company last year discovered and reported issues it identified regarding the adequacy of administrative practices and controls relative to its schools' determination of student placements rates. As a result, the Company has taken a number of significant and previously reported steps in addressing placement determination practices, including:

- Investigating and reviewing its placement practices through an independent outside counsel appointed by the Board of Directors;
- Setting new comprehensive placement guidelines to determine and clarify what constitutes and is reported to accreditors as a student placement;
- Verifying all student placements through a third party before they are reported; and
- Hiring more than 75 additional Career Service staff in schools accredited by ACCSC and ACICS to assist students in finding employment, while enhancing training, competencies and accountabilities for Career Services representatives.

The Company issued a press release regarding the ACCSC show-cause on June 12, 2012, a copy of which is attached as Exhibit 99.1, and the information contained therein is incorporated herein by reference.

As previously disclosed, the Company cannot predict with certainty the outcome of this and any other matter which may arise relating to the requests for additional information the Company receives from various regulators pertaining to its placement determination practices and the now-vacated show-cause directive from ACICS. Because accreditation is required for an institution to remain eligible to participate in the federal student financial aid programs, the failure by the Company to satisfactorily resolve the ACCSC show-cause directive could have a material adverse effect on the Company's business, reputation, financial position, cash flows and results of operations.

Cautionary Statement Regarding Forward-Looking Statements

This current report on Form 8-K and the exhibit thereto contain forward-looking statements. Actual results may differ materially from the results suggested by these forward-looking statements, for a number of reasons, including, but not limited to, the factors described in the Company's reports filed with the SEC from time to time. Except to the extent required by law, the Company disclaims any obligations to update any forward-looking statements.

Item 9.01. Financial Statements and Exhibits.

(d) Exhibits.

<u>Exhibit Number</u>	<u>Description of Exhibits</u>
99.1	Press release of the Company dated June 12, 2012

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 hereunto duly authorized.

CAREER EDUCATION CORPORATION

By: /s/ Jeffrey D. Ayers
Jeffrey D. Ayers
Senior Vice President, General Counsel and Corporate Secretary

Dated: June 12, 2012

Exhibit Index

<u>Exhibit Number</u>	<u>Description of Exhibits</u>
99.1	Press release of the Company dated June 12, 2012

**CONTACT:**

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Career Education Corporation Schools Enter Show Cause' Status with Accreditor

Notice Regarding Student Placement Reporting Similar to Recently Resolved Action

Schaumburg, Ill., June 12, 2012 – Career Education Corporation (CEC) (NASDAQ: CECO), a global provider of post-secondary education programs and services, today announced that the Accrediting Commission of Career Schools and Colleges (ACCSC) voted to direct 10 Career Education institutions to show cause as to why their accreditation should not be withdrawn. The action stems from the accreditor's ongoing information requests regarding student placement determination practices at these institutions.

CEC last month announced that the Accrediting Council of Independent Colleges and Schools (ACICS) lifted its similar "show cause" directive, which also centered on student placement determination practices. Much of the material requested by ACCSC overlaps with the information provided earlier to ACICS. Nine of the ten schools identified are dually accredited by ACCSC and ACICS. These schools were included in the prior directive by ACICS, which after reviewing the company's actions and reforms regarding student placements vacated the show cause.

"We have been in ongoing communication and correspondence with ACCSC since we self-reported last year regarding student placements," said Steven H. Lesnik, chairman, president and chief executive officer of CEC. "We maintain an open dialogue with ACCSC and intend to continue working directly with the accreditor towards a quick resolution."

ACCSC set forth requirements for the institutions to demonstrate compliance with its accrediting standards, which include the submission of 2012 ACCSC employment placement rate data for each program offered at the ten institutions; engagement of an independent third-party to audit 100 percent of this employment placement rate data; additional analysis of previously submitted placement data; and an update regarding related regulatory inquiries. The company must provide this information to ACCSC no later than Sept. 7, 2012.

Last year, CEC discovered and reported issues it identified regarding the adequacy of administrative practices and controls relative to its schools' determination of student placement rates. As a result, the company has taken a number of significant and previously reported steps in addressing placement determination practices, including:

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- Investigating and reviewing its placement practices through an independent outside counsel appointed by the Board of Directors;
 - Setting new comprehensive placement guidelines to determine and clarify what constitutes and is reported to accreditors as a student placement;
 - Verifying all student placements through a third party before they are reported; and
 - Hiring more than 75 additional Career Service staff in schools accredited by ACCSC and ACICS to assist students in finding employment, while enhancing training, competencies and accountabilities for Career Services representatives.

The ACCSC action involves: Sanford Brown Institutes in Pittsburgh, Pa.; Brown College campuses in Mendota Heights and Brooklyn Center, Minn.; Le Cordon Bleu institutions in Pittsburgh, Pa., Las Vegas, Nev., Scottsdale, Ariz., Miramar, Fla., and Cambridge, Mass.; and California Culinary Academy in San Francisco, Calif.

CEO Lesnik added: "I am absolutely confident that our leadership team and the entire organization are fully committed to accuracy and accountability – and to diligently and effectively supporting our students' career opportunities. We look forward to working with ACCSC to convey our actions and commitment and to resolving this matter satisfactorily."

About Career Education Corporation

The colleges, schools and universities that are part of the Career Education Corporation ("CEC") family offer high-quality education to a diverse population of approximately 95,000 students across the world in a variety of career-oriented disciplines through online, on-ground and hybrid learning program offerings. The more than 90 campuses that serve these students are located throughout the United States and in France, the United Kingdom and Monaco, and offer doctoral, master's, bachelor's and associate degrees and diploma and certificate programs.

CEC is an industry leader whose institutions are recognized globally. Those institutions include, among others, American InterContinental University ("AIU"); Brooks Institute; Colorado Technical University ("CTU"); Harrington College of Design; INSEEC Group ("INSEEC") Schools; International University of Monaco ("IUM"); International Academy of Design & Technology ("IADT"); Le Cordon Bleu North America ("LCB"); and Sanford-Brown Institutes and Colleges. Through its schools, CEC is committed to providing high-quality education, enabling students to graduate and pursue rewarding career opportunities.

For more information, see CEC's website at www.careered.com. The website includes a detailed listing of individual campus locations and web links to CEC's colleges, schools, and universities.

Except for the historical and present factual information contained herein, the matters set forth in this release, including statements identified by words such as "intend," "anticipate," "look forward to," "believe," "plan," "expect," "will," "potential" and similar expressions, are forward-looking statements as defined in Section 21E of the Securities Exchange Act of 1934, as amended. These statements are based on information currently available to us and are subject to various assumptions, risks, uncertainties and other factors that could cause our results of operations, financial condition, 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 or revise such factors or any of the forward-looking statements contained herein to reflect future events, developments or changed circumstances, or for any other reason. These risks and uncertainties, the outcomes of which could materially and adversely affect our financial condition and operations, include, but are not limited to, the following: 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 "90-10 Rule" and gainful employment regulations), as well as regional and national accreditation standards and state regulatory requirements; our ability to obtain accrediting agency approvals for existing or new programs and to successfully defend litigation and other claims brought against us; rulemaking by the U.S. Department of Education and increased focus by the U.S. Congress and governmental agencies on for-profit education institutions; and changes in the overall U.S. or global economy. Further information about these and other relevant risks and uncertainties may be found in the Company's Annual Report on Form 10-K for the fiscal year ended December 31, 2011 and its subsequent filings with the Securities and Exchange Commission.

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