

CAREER EDUCATION CORP  
Form 10-K/A  
April 28, 2003

[QuickLinks](#) -- Click here to rapidly navigate through this document

---

---

## SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

### FORM 10-K/A (Amendment No. 1)

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

For the fiscal year ended December 31, 2002

Commission File Number 0-23245

## CAREER EDUCATION CORPORATION

(Exact name of registrant as specified in its charter)

Delaware  
(State of Incorporation)

36-3932190  
(I.R.S. Employer ID No.)

2895 Greenspoint Parkway, Suite 600  
Hoffman Estates, Illinois  
(Address of principal executive offices)

60195  
(zip code)

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

Securities registered pursuant to Section 12(b) of the Act: **None**

Securities registered pursuant to Section 12(g) of the Act:

**Common Stock, \$.01 par value**  
(Title of Class)

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 ý NO o

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

Indicate by check mark whether Registrant is an accelerated filer (as defined in Rule 12b-2 of the Securities Exchange Act of 1934). YES ý NO o

The aggregate market value of the Registrant's voting stock held by non-affiliates of the Registrant, based upon the \$45.00 per share closing sale price of the Registrant's Common Stock on June 28, 2002 (the last business day of the Registrant's most recently completed second quarter), was approximately \$2,028,719,430. For purposes of this calculation, the Registrant's directors and executive officers have been assumed to be

# Edgar Filing: CAREER EDUCATION CORP - Form 10-K/A

affiliates.

The number of shares outstanding of the Registrant's Common Stock, par value \$.01, as of March 6, 2003, was 46,245,012.

Portions of the Registrant's Notice of Annual Meeting and Proxy Statement for the Registrant's Annual Meeting of Stockholders, scheduled to be held on May 19, 2003, are incorporated by reference into Part III of this Report.

---

---

---

## EXPLANATORY NOTE

The Registrant is filing this Amendment No. 1 to its annual report on Form 10-K as filed with the Securities and Exchange Commission ("SEC") on March 10, 2003 in response to comments received from the staff of the SEC in connection with the SEC's review of the Registrant's registration statement on Form S-3 filed on March 11, 2003.

This Amendment No. 1 makes certain changes to Business (Item 1), Selected Financial Data (Item 6), Management's Discussion and Analysis of Financial Condition and Results of Operations (Item 7) and Exhibits, Financial Statement Schedules, and Reports on Form 8-K (Item 15), primarily to reclassify bad debt expense as a component of general and administrative expenses instead of as a component of net revenue and expand certain disclosure in the Notes to the Consolidated Financial Statements. The changes represented by this Amendment No. 1 have no effect on the financial condition, net income or cash flows presented in the Registrant's financial statements as of and for the year ended December 31, 2002.

This Amendment No. 1 continues to speak as of the date of the original filing of the Form 10-K for the fiscal year ended December 31, 2002, and the Registrant has not updated the disclosures contained therein to reflect any events that occurred at a date subsequent to the filing of the Form 10-K.

---

## CAREER EDUCATION CORPORATION

### FORM 10-K/A

#### TABLE OF CONTENTS

	<b>Page</b>
<b>PART I</b>	<b>1</b>
ITEM 1. BUSINESS	1
ITEM 2. PROPERTIES	28
ITEM 3. LEGAL PROCEEDINGS	28
ITEM 4. SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS	28
<b>PART II</b>	<b>29</b>
ITEM 5. MARKET FOR REGISTRANT'S COMMON EQUITY AND RELATED STOCKHOLDER MATTERS	29
ITEM 6. SELECTED FINANCIAL DATA	30
ITEM 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS	32
ITEM 7A. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK	54
ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA	55
ITEM 9. CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE	55
<b>PART III</b>	<b>56</b>

	<b>Page</b>
ITEM 10. DIRECTORS AND EXECUTIVE OFFICERS OF THE REGISTRANT	56
ITEM 11. EXECUTIVE COMPENSATION	56
ITEM 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT	56
ITEM 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS	56
ITEM 14. CONTROLS AND PROCEDURES	56
<b>PART IV</b>	<b>57</b>
ITEM 15. EXHIBITS, FINANCIAL STATEMENT SCHEDULES, AND REPORTS ON FORM 8-K	57

## PART I

### ITEM 1. BUSINESS

*This Form 10-K/A contains "forward-looking statements," as defined in Section 21E of the Securities Exchange Act of 1934, that reflect our current expectations regarding our future growth, results of operations, performance and business prospects and opportunities. We have tried to use words such as "anticipate," "believe," "plan," "expect," "intend" and similar expressions to identify these forward-looking statements. These statements are based on information currently available to us and are subject to risks and uncertainties, including those discussed under "Management's Discussion and Analysis of Financial Condition and Results of Operations - Risks Related to Our Business", that could cause our actual growth, results of operations, performance and business prospects and opportunities to differ from those expressed in, or implied by, these statements.*

#### Overview

We are a provider of private, for-profit postsecondary education with 51 campuses throughout the United States, Canada, France, the United Kingdom and the United Arab Emirates. We also offer online programs through American InterContinental University-Online, our e-learning division. Including the impact of our February 18, 2003, acquisition of the INSEEC Group, our total student population as of January 31, 2003, would have been approximately 55,000. Our schools enjoy long operating histories and offer a variety of master's degree, bachelor's degree, associate's degree, and diploma programs in career-oriented disciplines.

We were founded in January 1994 by John M. Larson, our Chairman, President and Chief Executive Officer, who has over 29 years of experience in the career-oriented education industry. We were formed to capitalize on opportunities in the large and highly fragmented postsecondary school industry. Since our inception, we have completed 25 acquisitions and have opened four branch start-up campuses. We have acquired schools that we believe possess strong curricula, leading reputations and broad marketability, but that have been under managed from a marketing and/or financial standpoint. We seek to apply our expertise in operations, marketing and curricula development, as well as our financial strength, to improve the performance of these schools.

Our schools offer educational programs principally in the following five career-related fields of study, identified by us as areas with highly interested and motivated students, strong entry-level employment opportunities and ongoing career and salary advancement potential:

*Visual Communication and Design Technologies:* These programs include desktop publishing, graphic design, fashion design, interior design, graphic imaging, web page design, animation, photography and visual journalism.

*Information Technology:* These programs include PC/LAN, PC/Net, computer technical support, computer network operation, computer information management and computer programming.

*Business Studies:* These programs include business administration, business operations, e-commerce, merchandising management and hospitality management.

## Edgar Filing: CAREER EDUCATION CORP - Form 10-K/A

*Culinary Arts:* These programs include culinary arts, hotel and restaurant management and pastry arts.

*Health Education:* These programs include healthcare management, dental office administration, medical massage science, medical office administration, medical assisting, dental assisting, medical administrative assisting and massage therapy.

Our schools are summarized in the following table:

1

School	Year Founded	Date Opened/ Acquired	Principal Curricula(1)	Degree Granting
<b>Collins College</b> Tempe, AZ	1978	1/94	IT, VC	Yes
<b>Brooks College</b> Long Beach, CA	1970	6/94	B, VC	Yes
<b>Allentown Business School</b> Allentown, PA	1869	7/95	B, IT, VC	Yes
<b>Brown College</b> Mendota Heights, MN	1946	7/95	B, CA, IT, VC	Yes
<b>Western Culinary Institute</b> Portland, OR	1983	10/96	CA	Yes
<b>International Academy of Design &amp; Technology</b> Fairmont, WV Pittsburgh, PA	1967	2/97	B, IT, VC	Yes Yes
<b>The Katharine Gibbs Schools</b> Boston, MA Melville, NY Montclair, NJ New York, NY Norwalk, CT Piscataway, NJ Providence, RI	1911	5/97	B, IT, VC	Yes Yes Yes Yes Yes No No
<b>International Academy of Design &amp; Technology</b> Chicago, IL Tampa, FL	1977	6/97	VC, IT	Yes Yes
<b>International Academy of Design &amp; Technology</b> Montreal, PQ Toronto, ON	1983	6/97	B, VC, IT	No No
<b>California School of Culinary Arts</b> South Pasadena, CA	1994	3/98	CA	No
<b>Scottsdale Culinary Institute</b> Scottsdale, AZ	1986	7/98	CA	Yes
<b>Harrington Institute of Interior Design</b> Chicago, IL	1931	1/99	VC	Yes
<b>McIntosh College</b> Dover, NH	1896	3/99	B, CA, IT, VC	Yes
<b>Briarcliffe College</b> Bethpage, NY Patchogue, NY	1966	4/99	B, IT, VC	Yes Yes
<b>Brooks Institute of Photography</b> Santa Barbara, CA	1945	6/99	VC	Yes
<b>Gibbs College</b> Vienna, VA	1950	12/99	B, IT, VC	Yes
<b>Cooking and Hospitality Institute of Chicago</b> Chicago, IL	1983	2/00	CA	Yes
<b>California Culinary Academy</b> San Francisco, CA	1977	4/00	CA	Yes

2

School	Year Founded	Date Opened/ Acquired	Principal Curricula(1)	Degree Granting
<b>SoftTrain College</b> Toronto, ON	1987	7/00	IT	No
<b>International Academy of Design &amp; Technology</b> Ottawa, ON	1975	10/00	IT, VC	No
<b>American InterContinental University</b> Atlanta, GA (Dunwoody and Buckhead) Dubai, United Arab Emirates Los Angeles, CA Ft. Lauderdale, FL London, United Kingdom Washington, DC(2) Online	1970	1/01	B, IT, VC	Yes Yes Yes Yes Yes Yes Yes
<b>International Academy of Design &amp; Technology(3)</b> Orlando, FL	2001	1/01	IT, VC	Yes
<b>Katharine Gibbs School(3)</b> Philadelphia, PA	2001	1/01	IT, VC	No
<b>Texas Culinary Academy</b> Austin, TX	1985	8/01	CA	Yes
<b>Pennsylvania Culinary Institute</b> Pittsburgh, PA	1986	12/01	CA	Yes
<b>Orlando Culinary Academy(3)</b> Orlando, FL	2002	1/02	CA	Yes
<b>Brooks College(3)</b> Sunnyvale, CA	2002	2/02	VC	Yes
<b>Missouri College</b> St Louis, MO	1963	9/02	VC, HE	Yes
<b>The INSEEC Group</b> Bordeaux, France Lyon, France Paris, France	1975	2/03	B, VC, HE	Yes Yes Yes

- (1) The programs offered by our schools include business studies ("B"), culinary arts ("CA"), information technology ("IT"), visual communication and design technologies ("VC") and health education ("HE").
- (2) The Washington, D.C. facility stopped admitting new students in 2001 and was closed in 2002 after existing students completed their programs pursuant to a teach-out agreement. Further references to this campus throughout this Annual Report on Form 10-K/A have been excluded.
- (3) These schools were not acquired but rather opened by us as new start-up campuses. The new start-up campuses are opened as branch campuses of an existing location and, therefore, are considered by the Department of Education as one institution for reporting purposes.

### Industry Background

Based on estimates for the 2000-2001 academic year by the Department of Education, postsecondary education is approximately a \$275 billion industry in the U.S., with approximately 15.3 million students obtaining some form of postsecondary education. According to the Department of Education, the number of students is expected to grow by 19% to approximately 18.2 million students

## Edgar Filing: CAREER EDUCATION CORP - Form 10-K/A

by 2012. In 2000-2001, approximately 3.5 million students were enrolled in 2,484 private, degree-granting schools.

Total federal aid available to support postsecondary education was estimated to exceed \$62 billion during the 2001-2002 academic year, and has grown approximately 158% from \$24 billion during the 1991-1992 academic year. Of the total amount of federal funding available, the federal government lent approximately \$42 billion to qualified students during the 2001-2002 academic year, almost triple the amount borrowed by students during the 1991-1992 academic year. State, local and third-party private lenders are also available to fund students' postsecondary education.

Several national economic, demographic and social trends are converging to contribute to growing demand for career-oriented postsecondary education:

*Changes in Workplace Demands.* The workplace is becoming increasingly knowledge-intensive. Rapid advances in technology have increased demands on employers and their employees, requiring many new workers to have some form of education beyond the high school level. The increasing technological skills required for entry-level jobs are spurring demand for specialized career-oriented training that may not be provided by traditional two-year and four-year colleges. The Bureau of Labor Statistics, U.S. Department of Labor, projects that between 2000 and 2010, jobs requiring (1) a bachelor's or higher degree are expected to increase approximately 22 percent, (2) an associate degree are expected to increase approximately 32 percent and (3) postsecondary vocational training are expected to increase approximately 18 percent. In 2002, approximately 27 percent of the students in our U.S. accredited institutions were enrolled in bachelor's and master's degree programs, 60 percent were enrolled in associate degree programs and 13 percent were enrolled in diploma/certificate programs. Our Canadian schools do not grant degrees and, therefore, their programs are classified as "diploma/certificate." Furthermore, career-oriented schools generally have the ability to react quickly to the changing needs of the business and industrial communities. Additionally, to meet the new workplace demands, many major companies are now using career-oriented institutions on a contractual basis to provide customized training for their employees.

Finally, we believe that continuing formal education is becoming a lifelong process, as career change becomes commonplace. According to a Market Fact, Inc. survey that we sponsored in 1999, half of the working Americans surveyed would consider a new career and 60 percent of those who have switched careers obtained additional education to prepare for their new career.

*Increasing Numbers of High School Graduates.* During the 2000-2001 academic year, U.S. high school graduates represented over 2.8 million new prospective postsecondary students, the largest pool of potential enrollees. From the 2000-2001 academic year through the 2011-2012 academic year, the number of high school graduates is projected to increase by 11 percent and grow to 3.1 million. During the 18 years prior to 1993, the number of high school graduates had been declining. However, this trend has changed favorably as children of the "baby boom" generation are entering their high school years. These members of the "echo boom," as it is commonly known, are expected to boost enrollment in postsecondary educational programs to as high as 18.2 million students by the 2011-2012 academic year, an increase of 19 percent from approximately 15.3 million in the 2000-2001 academic year.

*Growing Demand for Postsecondary Education.* High school graduates and adults are seeking postsecondary education in increasing numbers. The U.S. Department of Labor estimates that among the 2.8 million high school graduates in 2000, approximately 1.7 million (63 percent) pursued some form of postsecondary education the following fall. The U.S. Department of Labor projects the number of jobs requiring at least an associate degree to grow by 32 percent between 2000 and 2010. The recent trend toward corporate downsizing and resulting layoffs is expected to increase enrollment in postsecondary programs as individuals seek to enhance their skills or re-train for new job requirements.

4

---

*Proliferation of Online Education.* Over the years, many adults have suppressed desires to return to school due to the many challenges of integrating school-related responsibilities with the critical demands of families and employment. However, the recent proliferation of online learning and other distance education alternatives is enabling many adults to address previously suppressed interests in post-secondary education. The U.S. Department of Education estimates that the number of degree-seeking students taking online courses will grow at a compound rate of 33% for the next several years, reaching approximately 2.2 million by 2004. The types of online programs and offerings vary significantly and include, among others, (1) fully online programs that permit students to complete 100 percent of required coursework online with no campus based component, (2) hybrid programs that combine campus-based courses with an online component, and (3) supplemental online programs that enable campus-based students to complete some coursework online. Additionally, online programs often offer the convenience and flexibility of an asynchronous format, whereby students can log on at any time to participate in the learning process.

*Growing Demand for Health Education.* According to the National Center for Health Statistics, life expectancy in the U.S. has risen to 77 years. As America has aged, the demand for healthcare professionals has soared. According to the U.S. Department of Labor, 14 percent of all newly created jobs in U.S. are in the healthcare field, and two of the 10 fastest-growing jobs in the U.S. are healthcare occupations. As a

result, health education has become one of the fastest growing segments of the postsecondary education industry.

*Recognition of the Value of Postsecondary Education.* Over the years, the difference between the earnings of young adults who have completed at least a bachelor's degree and the earnings of their counterparts who have completed no more than a high school education has increased. According to a 2002 U.S. Census Bureau survey, the average graduate with a bachelor's degree is expected to earn \$1.0 million more during the course of his or her career than an individual with only a high school diploma. Accordingly, we believe that prospective students are increasingly cognizant of this income premium and other improvements in career prospects associated with postsecondary education. More specifically, according to the U.S. Department of Commerce, on average, in 1999, (1) an individual with an associate degree earned approximately 23 percent more than did an individual who had completed no more than a high school education, while (2) an individual with a bachelor's degree earned approximately 52 percent more than did an individual who had completed no more than a high school education. Independent research studies have demonstrated that prospective students consider these benefits when making their education decisions.

*Reduction in Public Education Funding.* The reduction of state or provincial and local funding of many public educational institutions in recent years has forced many educational institutions to cut back spending on general operations and refrain from increasing capacity. As a result, some public schools have become under-funded and overcrowded. This trend, along with a general increase in postsecondary enrollment as a result of a projected increase in high school graduates, may provide an opportunity for proprietary institutions to serve, at more competitive prices, the postsecondary education needs of individuals who would have otherwise attended public schools. For example, according to the Chronicle of Higher Education, in 1995, no for-profit institutions ranked among the top 20 U.S. universities in terms of student population. However, by the fall of 2001, four for-profit institutions were listed among the 20 most densely populated U.S. universities.

We believe that private, for-profit, career-oriented schools are uniquely positioned to take advantage of these national trends. We also believe that similar factors are creating a favorable climate for career-oriented postsecondary education in Canada, Europe and other international markets.

## **Business and Operating Strategy**

Our business and operating strategy has enabled us to achieve significant improvements in the performance of our schools. We believe this strategy will enable us to continue to capitalize on the favorable economic, demographic and social trends that are driving demand for career-oriented education, thereby strengthening our position as a premier, professionally-managed system of career-oriented postsecondary educational institutions. The key elements of our business and operating strategy are as follows:

*Focusing on Core Curricula.* Our schools offer educational programs principally in five career-related fields of study:

visual communication and design technologies, offered at 34 campuses

business studies, offered at 32 campuses

information technology, including Internet and intranet technology, offered at 27 campuses

culinary arts, offered at 10 campuses

health education, offered at 2 campuses

We perceive a growing demand by employers for individuals possessing skills in these particular fields. We also believe there are many entry-level positions and ongoing career and salary advancement potential for individuals who have received advanced training in these areas. We recognize that these employment opportunities have attracted highly interested and motivated students. These students include both recent high school graduates and adults seeking formal training in these fields as well as degrees, diplomas and certificates evidencing their knowledge and skills. Our experience and expertise in these attractive areas of study enable us to differentiate ourselves from many of our competitors and to effectively tailor our acquisition and marketing plans.

## Edgar Filing: CAREER EDUCATION CORP - Form 10-K/A

*Adapting and Expanding Educational Programs.* We strive to meet the changing needs of our students and the employment market. We continually refine and adapt our courses to ensure that both students and employers are satisfied with the quality and breadth of our educational programs. Through various means, including student and employer surveys and curriculum advisory boards comprised of business and community members, our schools regularly evaluate their program offerings and consider revisions to existing classes and programs, as well as the introduction of new courses and programs of study within our core curricula. Successful school programs are selectively duplicated at other schools within our system. In 2002, we successfully duplicated 15 programs, and an additional 50 program duplications are expected in 2003.

*Investing for Future Growth.* We make substantial investments in our people, facilities, management information systems and classroom technologies to prepare our company for continued growth. We devote particular attention to attracting and retaining both corporate and school-level management, and focus on employee development in order to facilitate internal promotions. We make substantial investments in facilities and classroom technologies to attract, retain and prepare students for the increasing technical demands of the workplace. Additionally, we have made significant investments in our management information systems to standardize applications and processes across our schools in order to maintain effective and expedient communication between our schools and corporate management, as well as to ensure the smooth integration of newly acquired schools and newly opened branch campuses.

*Emphasizing School Management Autonomy and Accountability.* We provide significant autonomy and appropriate performance-based incentives to our campus-level managers. We believe these policies foster an important sense of personal responsibility for achieving campus performance objectives. We also believe our willingness to grant local autonomy provides our schools and us with a significant

6

---

advantage in recruiting and retaining highly-motivated individuals with an entrepreneurial spirit. Management of each of our campuses is principally directed by a campus president and local managers, who are accountable for the campus' operations and profitability. Divisional oversight ensures adherence to business plans, while business strategy, information technology, finance and accounting consolidation functions are centralized at our executive offices in Hoffman Estates, Illinois. When a new school is acquired, we evaluate the capabilities of existing campus management personnel and typically retain a significant portion, which contributes to our ability to rapidly integrate acquired schools into our system. We also determine the acquired school's needs for additional or stronger managers in key areas and, where necessary, take appropriate action by hiring new managers or assigning experienced staff to the school's campuses.

*Direct Response Marketing.* We seek to increase school enrollment and profitability through intensive local, regional and national direct response marketing programs designed to maximize each school's market penetration. We also use Internet-based advertising to attract potential students and believe that this medium will be an increasingly important marketing tool. Because many of our schools have been significantly under-marketed prior to their acquisition, we believe that major benefits can result from carefully crafted, targeted marketing programs that leverage schools' curriculum strength and brand name recognition. After every acquisition, we design a marketing program tailored to the particular school to highlight its strengths and improve student lead generation and student enrollment rates. Our management uses a diversified media, direct response approach, including direct mail, Internet-based advertising, infomercials, other television-based advertising, newspaper advertising and other print media, to attract potential students. We place particular emphasis on high school recruitment because it produces a steady supply of new students.

*Improving Student Retention.* We emphasize the retention of students, from initial enrollment to completion of their courses of study, at each of our schools. Because, as at any postsecondary educational institution, a substantial portion of our students never finish their educational programs for personal, financial or academic reasons, substantial increases in revenue and profitability can be achieved through modest improvements in student retention rates. Our costs to keep current students in school are much less than the expense of the marketing efforts associated with attracting new students; therefore, student retention efforts, if successful, are extremely beneficial to operating results. We strive to improve retention by treating students as valued customers. We consider student retention the responsibility of the entire staff of each school, from admissions to faculty and administration to career counseling services, and provide resources and support for the retention efforts developed by our local school administrators. School personnel typically employ an approach based upon establishing personal relationships with students; for example, students may receive a telephone call from a school counselor or faculty member if they miss classes.

In addition, our corporate staff regularly tracks retention rates at each school and provides feedback and support to local school administrators. During 2002, our retention rate was approximately 73 percent. This rate was determined in accordance with the standards of the Accrediting Council for Independent Colleges and Schools, which determines retention rates by dividing the total number of student dropouts by the sum of (1) beginning student population, (2) new starts and (3) student re-enters.

*Emphasizing Employment of Graduates.* We believe that the high rates of employment for graduates of our schools enhance the overall reputation of the schools as well as their ability to attract new students. High placement rates also lead to low student loan default rates, which are necessary to allow our schools to continue to participate in federal student financial aid programs. We consider student placement a high priority, and 94.1 percent of our graduates who were available for employment for the academic year ended June 30, 2002, had found



employment relating to their fields of study within six months of graduation. We are committed to maintaining or improving these

graduate employment rates, and newly acquired or opened schools will be expected to meet similar graduate employment success standards.

### **Growth Strategy**

We believe we can achieve superior long-term growth in revenue and profitability by continuing to exhibit strong internal growth, acquiring additional schools and developing branch campuses of existing institutions. We believe we can achieve additional growth in the future by growing our online education division and expanding further internationally. To effectively manage this growth, we operate our company in two distinct operating groups, the "Colleges, School and Universities" group, which includes our on-campus schools, and the "Online Education" group, which includes American InterContinental University Online.

*Expanding Existing Operations.* We believe that our existing 51 campuses can continue to achieve significant internal growth in enrollment, revenue and profitability. We are executing our business and operating strategy, including all of the elements described above, to accomplish this growth.

*Acquiring Additional Schools.* To date, we have grown by acquiring new schools in the U.S., Canada, France, the United Kingdom, and the United Arab Emirates and then applying our expertise in marketing and school management to increase enrollment, revenue and profitability at those schools. We expect that this process will continue to be an important element of our growth strategy. We recently acquired a group of schools in France and may continue to acquire operations outside North America, where we believe significant opportunities exist. We have an active acquisition program and, on an ongoing basis, engage in evaluations of and discussions with possible acquisition candidates, including evaluations and discussions relating to acquisitions that may be material in size or scope.

We make selective acquisitions of career-oriented schools that have capable faculty and operations staff, as well as quality educational programs that stand to benefit from our educational focus and marketing and operating strengths. We target schools that we believe have the potential to generate superior financial performance. Generally, such schools demonstrate the following characteristics:

"Schools of Choice" Possessing leading reputations in career-oriented disciplines within local, regional and national markets;

Success Demonstrating the ability to attract, retain and place students, while meeting applicable federal and state regulatory criteria and accreditation standards;

Marketable Curricula Offering programs that provide students with relevant training and the skills necessary to obtain attractive jobs and advance in their selected fields;

Broad Marketability Capable of attracting recent high school graduates and adult students from local, national and international markets; and

Attractive Facilities and Geographic Locations Providing geographically desirable locations and modern facilities to attract students.

We believe that significant opportunities exist for growth through acquisition. Some opportunities result from institutions having limited resources to manage increasingly complex regulations or to fund the significant cost of developing new educational programs necessary to meet changing demands of the employment market. We believe that a substantial number of schools exhibiting the characteristics described above exist both domestically and internationally and that such schools can be successfully integrated into our marketing and administrative structure.

We analyze acquisition targets for their long-term profit potential, enrollment potential and long-term demographic trends, concentration of likely employers within the region, level of competition, facility costs and availability and quality of management and faculty. We carefully

investigate any potential acquisition target for its history of regulatory compliance, both as an indication of future regulatory costs and compliance issues and the school's overall condition. Significant regulatory compliance issues in the school's past will generally remove a school from our consideration as an acquisition candidate.

After we complete an acquisition, we immediately begin to apply our business strategy to boost enrollment and improve the acquired school's profitability. We assist acquired schools in achieving their potential through a highly focused and active management role, as well as through capital contributions. We selectively commit resources to improve marketing, advertising, student placement, administration and regulatory compliance at each acquired school. We may also commit further resources to enhance management depth. We retain acquired schools' brand names to take advantage of their established reputation in local, regional and national markets as "schools of choice."

By acquiring new schools, we are also able to realize economies of scale in terms of our management information systems, accounting and audit functions, employee benefits and insurance procurement. We also benefit from the exchange of ideas among school administrators regarding faculty development, student retention programs, recruitment, curriculum, financial aid and student placement programs.

*Opening New Start-up Campuses.* To date, we have opened four new start-up campuses (two in 2002 and two in 2001) and we expect to continue to establish new locations. The new start-up campuses are opened as branch campuses of an existing location and, therefore, are considered by the Department of Education as one institution for reporting purposes. Opening branch campuses enables us to capitalize on new markets or geographic locations that exhibit strong enrollment potential and/or the potential to establish a successful operation in one of our core curricula areas. We believe that this strategy compliments our acquisition strategy as it allows us to continue to grow rapidly even if appropriate acquisition opportunities are not readily available.

*Expanding Online Education.* While we expect our current career-oriented school operations to continue to provide the substantial majority of our revenue in the near term, we plan to continue to invest in our rapidly growing online education system. In February 2001, we began enrolling students into full degree-granting online programs within American InterContinental University Online ("AIU-Online"). AIU-Online offers eight full-degree programs in business administration, information technology, visual communications, and education. As of January 31, 2003, AIU-Online had a total student population of approximately 3,000, compared to a student population of approximately 300 as of January 31, 2002.

*Expanding Internationally and Recruiting International Students.* We believe that trends similar to those impacting the market for postsecondary career-oriented education in the U.S. are occurring outside of North America. As a result, we believe that there may be significant additional international opportunities in private, for-profit postsecondary education and will continue our marketing efforts in selected countries to increase international student enrollments at our domestic schools.

## **Student Recruitment**

Our schools seek to attract students with both the desire and ability to complete their academic programs. Therefore, to produce interest among potential students, each of our schools engages in a wide variety of marketing activities.

We believe that the reputation of our schools in local, regional and national business communities and the recommendations of satisfied former students are important factors contributing to success in recruiting new students. Each school's admissions office is responsible for identifying individuals interested in attending our schools ("leads"), providing information needed by these prospective

students to help them in making an enrollment decision and assisting them with the completion of the enrollment process.

Leads are generated in a number of ways including:

Referrals;

## Edgar Filing: CAREER EDUCATION CORP - Form 10-K/A

Collection of student interest cards at high school presentations made by our school representatives;

Direct mail and e-mail solicitation campaigns; and

Advertising placed in a variety of media.

High school presenters conduct informational programs at local secondary schools and collect student interest cards for future follow-up. The interpersonal relationships formed between students and high school counselors and faculty may have significant influence over a potential student's choice of school. We believe that the brand awareness and placement rates of our schools assist presenters in gaining access to counselors and that the relationships of our schools' presenters with the counseling departments of high schools are strong.

We purchase direct mail and e-mail lists from a variety of sources, and we mail brochures and send e-mails to prospective students regularly during the course of the year.

Each school develops advertising for a variety of media, including Internet-based, television and print advertising, which is run locally, regionally and, sometimes, nationally. Internet-based advertising consists of e-mail campaigns, co-branded micro-sites, banner advertisements, and branded school web sites. We believe Internet-based advertising offers a fast and cost-effective way to reach a targeted population.

Admissions representatives at each school serve as prospective students' primary contacts for obtaining information and enrollment assistance. Admissions representatives interview and advise prospective students interested in specific careers to determine the likelihood of prospective students' success in completing their chosen educational programs. As of December 31, 2002, our schools employed approximately 820 admissions representatives, each of whom focuses his or her efforts on one or more of the following recruiting areas:

Local market;

High school;

Out-of-area;

International; and

Internet.

Every school also has a website containing extensive information about the school and online enrollment capability. We expect this web-based information and enrollment capability to become an increasingly important, effective and efficient part of our admissions activity.

We closely monitor the effectiveness of our marketing efforts. We estimate that in 2002, Internet-based leads were responsible for generating approximately 27% of our total starts, television and print media advertising leads were responsible for generating approximately 25% of our total starts, referral leads were responsible for generating approximately 21% of our total starts, high school leads were responsible for generating approximately 10% of our total starts, direct mailing leads were responsible for generating approximately 9% of our total starts, and leads from other marketing methods were responsible for generating approximately 8% of our total starts.

### **Student Admissions and Retention**

The admissions and entrance standards of each school are designed to identify those students who are best equipped to meet the requirements of their chosen fields of study. The most important qualifications for students include a strong desire to learn, passion for their area of interest, initiative and a high likelihood of successfully completing their programs. Admissions representatives generally identify these characteristics through personal interviews. We believe that a success-oriented student body results in higher retention and placement rates,

increased student and employer satisfaction and lower student default rates on government loans. To be qualified for admission to one of our schools, each applicant must have received a high school diploma or a General Education Development certificate. Many of our schools also require that applicants obtain certain minimum scores on academic assessment examinations.

We recognize that our ability to retain students until graduation is an important indicator of our success and that modest improvements in retention rates can result in meaningful increases in school revenue and profitability. As with other postsecondary educational institutions, many of our students do not complete their programs for a variety of personal, financial or academic reasons. As a result, student retention is considered the responsibility of each department within the entire school. To minimize student withdrawals, faculty and staff members at each of our campuses strive to establish personal relationships with students. Each campus devotes staff resources to advising students regarding academic and financial matters, part-time employment and other factors that may affect their success. In addition, our corporate staff regularly tracks retention rates at each campus and provides feedback and support to appropriate local campus administrators.

### **Curriculum Development and Faculty**

We believe that curriculum is an important component of our operations, because students choose, and employers recruit from, career-oriented schools based on the type and quality of technical education offered and provided. The curriculum development efforts of our schools are a product of their operating partnership with students and the business and industrial communities.

The relationship of each of our schools with the business community plays a significant role in the development and adaptation of school curriculum. Each school has one or more program advisory boards composed of members of the local and regional business communities who are engaged in businesses directly related to the school's educational offerings. These boards provide valuable input to the school's education department, which allows the school to keep programs current and provide students with the training and skills that employers seek.

We also endeavor to enhance and maintain the relevancy of our curricula by soliciting ideas through student and employer surveys and by requiring students in selected programs to complete an internship during their school experience. We have developed a number of techniques designed to both gain valuable industry insight for ongoing curriculum development and enhance the overall student experience. These techniques include (1) classroom discussions with industry executives, (2) part-time job placement within a student's industry of choice and (3) classroom case studies based upon actual industry issues.

Our schools are in continuous contact with employers through the interactions of employers with our faculty, many of whom are industry professionals. Our schools hire a significant number of part-time faculty who hold positions in business and industry because specialized knowledge is required to teach many of the schools' courses and provide students with current, industry-specific training. The schedules of business and industry professionals often permit them to teach the many evening courses offered by our schools. Unlike traditional four-year colleges, instructors in our schools are not awarded tenure and are evaluated, in part, based upon the results of student evaluations. As of January 31,

2003, our schools employed approximately 4,000 faculty members, of whom approximately 38% were full-time employees and approximately 62% were hired on a part-time, adjunct basis.

### **School Administration**

We provide significant operational autonomy and appropriate performance-based compensation to local school administrators who have demonstrated the ability to undertake such responsibility, based on our belief that success is driven by performance at the local level through enrollment growth and strong student retention rates and placement rates. In addition, each of our schools requires, to a certain extent, different resources and operating tactics due to a variety of differing factors, including curriculum, demographics, geographic location and size. Overall management of each of our schools is principally the responsibility of a school president, who is accountable for the school's operations and profitability. Each of our schools has five primary operating departments: admissions, financial aid, education, career services and accounting.

Business strategy, finance and accounting consolidation functions are centralized at our corporate headquarters. Our corporate staff develops long-term and short-term operating strategies for the schools and works closely with local administrators to accomplish their goals and ensure adherence to our strategy. We maintain stringent quality standards and controls at both the corporate and individual school levels. Activities at the corporate level include regular reporting processes that track the vital statistics of each school's operations, including leads, enrollments, retention rates, placements and financial data. These reports allow management to monitor the performance of each campus. Each campus-level operating department is also required to compile quantitative reports, including reports on admissions, financial aid, academic performance and placement, at regular intervals.

## Edgar Filing: CAREER EDUCATION CORP - Form 10-K/A

We have designed and implemented a number of quality and financial controls. Student information is tracked through an advanced, PC-based management information system, which is centralized to allow access to account information.

### **Tuition and Fees**

Currently, total tuition for completion of a diploma or certificate program offered by our schools, assuming full time attendance, ranges from \$4,350 to \$26,500, for completion of an associate's degree program ranges from \$16,785 to \$42,160, for completion of a bachelor's degree program ranges from \$27,950 to \$70,560, and for completion of a master's degree program ranges from \$15,840 to \$34,175. In addition to these tuition amounts, students at our schools typically must purchase textbooks and supplies as part of their chosen educational programs.

Our institutions bill students for tuition and other institutional charges based on the specific instructional format or formats of the school's educational programs. Each institution's refund policies must meet the requirements of the Department of Education and such institution's state and accrediting agencies. The U.S. Department of Education requires that a proportionate return of Title IV funds, the amount based on the number of days enrolled during a payment period or period of enrollment, be disbursed to individual students for those students who cease attendance within the first 60% of their payment period or period of enrollment. Refunds of tuition and other institutional charges are based on federal, state or institutional refund requirements, as applicable.

### **Graduate Employment**

We believe that employment of graduates of our schools in occupations related to their fields of study is critical to the reputation of the schools and their ability to continue to successfully recruit students. We believe that our schools' most successful form of recruiting is through referrals from satisfied graduates. A strong career services office is important to maintain and elevate a school's reputation, as well as manage the loan default rate of former students.

12

---

We devote a significant amount of time and resources to student placement, which we believe to be the ultimate indicator of our success. We believe that our average placement rate is attractive to prospective students. Beginning on the first day of student enrollment, student placement is a top priority of each of our schools. This approach heightens the students' awareness of the career services departments and keeps students focused on their ultimate goal - job placement within their field of choice. Moreover, our schools include career development instruction, which includes the preparation of résumés, cover letters, networking and other essential job-search tools, in our curricula. Placement office resources are regularly available to our graduates. With such assistance, our graduates find employment with a wide variety of businesses located not only within the schools' local markets but also regionally and nationally.

Each campus' career services department also plays a role in marketing the campus' curriculum to the business community to produce job leads for graduates. As of December 31, 2002, approximately 180 employees worked in the career services departments of our campuses. Career services counselors participate in professional organizations, advisory boards, trade shows and community events to keep apprised of industry trends and maintain relationships with key employers. Partnerships with local and regional businesses are established through internships and curriculum development programs and facilitate the placement of graduates in local and regional businesses. Career services departments also assist current students in finding part-time employment while attending school. These part-time placements often lead to permanent positions.

During 2002, we launched a career services intranet site that allows all of our campuses to share job opportunities. Additionally, in October 2002, we held our first virtual job fair, which attracted more than 700 employers and 4,000 of our students and alumni.

Based on survey information received from graduating students and employers, we believe that of the 16,366 students graduating from our schools during the academic year ended June 30, 2002, 94.1% of the 14,426 available graduates, which excludes students who are continuing their education, in active military service or disabled or deceased, as well as students from foreign countries who are legally ineligible to work in the U.S., obtained employment in fields related to their programs of study. This represents a 2.1 percentage point increase from our placement rate for the academic year ending June 30, 2001, of 92.0%.

The reputation of some of our schools allows them to charge fees to employers for placement of many of the schools' students. Our other schools do not currently receive such placement fees, nor, we believe, do any of our principal proprietary competitors.

### **Technology**

We are committed to providing our students access to the technology necessary for developing skills required to succeed in the careers for which they are training. Through regular consultation with business representatives, we ensure that all our schools provide their students with

industry-current computer hardware and computer software and equipment meeting industry-specific technical standards. In each program, students use the types of equipment that they will eventually use in their careers of choice. For example, graphic animation students use sophisticated computer multimedia animation and digital video editing equipment and supplies, and visual communication and design technologies students make significant use of technologies for computer-related design and layout and digital pre-press applications.

### **Employees**

As of December 31, 2002, Career Education Corporation and our schools had a total of approximately 4,700 full-time employees and approximately 2,900 part-time employees. We do not have

any collective bargaining agreements with our employees. We consider our relations with our employees to be good.

### **Competition**

The postsecondary education market is highly fragmented and competitive, with no single institution having a significant market share. Our schools compete with traditional public and private two-year and four-year colleges and universities, other proprietary schools, including those that offer online education programs, and alternatives to higher education such as immediate employment and military service. Private and public colleges and universities may offer courses of study similar to those of our schools. Some public institutions are able to charge lower tuition than our schools due in part to government subsidies, government and foundation grants, tax-deductible contributions and other financial sources not available to proprietary schools. However, tuition at private, non-profit institutions is, on average, higher than the average tuition rates of our schools. Other proprietary career-oriented schools also offer programs that compete with those of our schools. We believe that our schools compete with other educational institutions principally based upon the quality of their educational programs, the reputation in the business community, the costs of programs and the graduates' ability to find employment. Some of our competitors in both the public and private sectors may have substantially greater financial and other resources than we do.

Changes in the regulatory environment have stimulated consolidation in the postsecondary education industry. Regulations adopted in recent years have tightened standards for educational content, established strict standards for student loan default rates, required intensified scrutiny by state education agencies and accrediting agencies and created more stringent standards for the evaluation of an institution's financial responsibility and administrative capability. As a result, some career-oriented schools have been forced to close because they lacked sufficient quality or financial resources or could not manage the increased regulatory burden. At the same time, despite increasing demand, potential new entrants face significant barriers to entry due to the highly regulated nature of the industry and the considerable expense of start-up operations.

### **Financial Aid and Regulation**

Our schools and students in the U.S. and Canada, as well as U.S. students at our schools in London and Dubai, participate in a wide variety of government-sponsored financial aid programs (i.e., programs administered by federal, state, provincial, and local government agencies). For this reason, our schools are subject to extensive regulatory requirements imposed by government funding agencies and other bodies. For the 2002 fiscal year, we derived approximately 61% of our revenue on a cash basis from such government sponsored financial aid received by our students, and we estimate that approximately 75% of our students receive government sponsored financial aid.

***Nature of Federal Support for Postsecondary Education in the U.S.*** While many states support public colleges and universities primarily through direct state subsidies, the federal government provides a substantial part of its support for postsecondary education in the form of grants and loans to students who can use those funds at any institution that has been certified as eligible by the Department of Education. These federal programs are authorized by Title IV of the Higher Education Act of 1965, as amended, and are collectively referred to as the "Title IV Programs."

Most aid under the Title IV Programs is awarded on the basis of financial need, generally defined under the Higher Education Act as the difference between the cost of attending the institution and the amount a student can reasonably contribute to that cost. All recipients of Title IV Program funds must maintain a satisfactory grade point average and progress in a timely manner toward completion of their program of study.

## Edgar Filing: CAREER EDUCATION CORP - Form 10-K/A

Students at our schools receive grants, loans and work opportunities to fund their education under the following Title IV Programs, although not every campus participates in all programs: (1) the Federal Family Education Loan ("FFEL") program, (2) the William D. Ford Federal Direct Loan ("FDL") program, (3) the Federal Pell Grant ("Pell") program, (4) the Federal Supplemental Educational Opportunity Grant ("FSEOG") program, (5) the Federal Perkins Loan ("Perkins") program and (6) the Federal Work-Study ("FWS") program.

**FFEL.** Loans made under the FFEL program are federally guaranteed. Loans are made by banks and other lending institutions, but if a student or parent defaults on a loan, payment is guaranteed by a federally recognized guaranty agency, which is then reimbursed by the Department of Education. Students with financial need qualify for interest subsidies while in school and during grace periods. Our schools and their students use a wide variety of lenders and guaranty agencies and have not experienced difficulties in identifying lenders and guaranty agencies willing to make and guarantee FFEL loans.

**FDL.** Under the FDL program, students or their parents may obtain loans directly from the Department of Education rather than from commercial lenders. The conditions on FDL loans are generally the same as on loans made under the FFEL program.

**Pell.** Under the Pell program, the Department of Education makes grants to students who demonstrate financial need.

**FSEOG.** FSEOG awards are designed to supplement Pell grants for the neediest students. An institution is required to make a 25% matching contribution for all federal funds received under this program.

**Perkins.** Perkins loans are made from a revolving institutional account, 75% of which is capitalized by the Department of Education and the remainder by the institution. Each institution is responsible for collecting payments on Perkins loans from its former students and lending those funds to currently enrolled students.

**FWS.** Under the FWS program, federal funds are used to pay up to 75% of the cost of part-time employment of eligible students to perform work for the institution or certain off-campus organizations. The remaining 25% is paid by the institution or the employer.

**Regulation of Federal Student Financial Aid Programs for U.S. Schools.** To participate in the Title IV Programs, an institution must be authorized to offer its programs of instruction by the relevant agencies of the state in which it is located, accredited by an accrediting agency recognized by the Department of Education and certified as eligible by the Department of Education. The Department of Education will certify an institution to participate in the Title IV Programs only after the institution has demonstrated compliance with the provisions of the Higher Education Act and the Department of Education's extensive regulations regarding institutional eligibility. An institution must also demonstrate its compliance with these requirements to the Department of Education on an ongoing basis. These standards are applied primarily on an institutional basis, with an institution defined as a main campus and its additional locations, if any. Under this definition, each of our U.S. campuses is a separate institution, except for Briarcliffe-Patchogue, which is an additional location of Briarcliffe-Bethpage, Gibbs-Piscataway, which is an additional location of Gibbs-Montclair and IADT-Fairmont (formerly known as the School of Computer Technology-Fairmont), which is an additional location of IADT-Pittsburgh (formerly known as the School of Computer Technology-Pittsburgh). Gibbs-Philadelphia is an additional location of Gibbs-New York, and IADT-Orlando and Orlando Culinary Academy are additional locations of IADT-Tampa. American InterContinental University campuses in Dunwoody, Dubai, Los Angeles, Ft. Lauderdale, and London are additional locations of American InterContinental University- Buckhead. All of our U.S. schools currently participate in the Title IV

15

---

Programs. The Dubai campus of AIU is not an eligible additional location per Department of Education requirements.

The substantial amount of federal funds disbursed through the Title IV Programs coupled with the large numbers of students and institutions participating in those programs have led to instances of fraud, waste and abuse. As a result, the U.S. Congress has required the Department of Education to increase its level of regulatory oversight of institutions to ensure that public funds are properly used. Under the Higher Education Act, accrediting agencies and state licensing agencies also have responsibilities for overseeing institutions and continued approval by such agencies is necessary for an institution to maintain eligibility to participate in the Title IV Programs. As a result, each of our institutions is subject to frequent reviews and detailed oversight and must comply with a complex framework of laws and regulations. Because the Department of Education periodically revises its regulations and changes its interpretation of existing laws and regulations, we cannot assure you that the Department of Education will agree with our understanding of each Title IV Program requirement.

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

**Legislative Action.** Political and budgetary concerns significantly affect the Title IV Programs. The U.S. Congress must reauthorize the Higher Education Act approximately every six years. The most recent reauthorization in October 1998 reauthorized the Higher Education Act

## Edgar Filing: CAREER EDUCATION CORP - Form 10-K/A

through 2003, with an automatic one-year extension if the reauthorization is not completed within that timeframe. In addition, the U.S Congress reviews and determines federal appropriations for the Title IV Programs on an annual basis. The U.S. Congress can also make changes in the laws affecting the Title IV Programs in those annual appropriations bills and in other laws it enacts in between the Higher Education Act reauthorizations. Since a significant percentage of our revenue is derived from the Title IV Programs, any action by the U.S. Congress that significantly reduces Title IV Program funding or the ability of our schools or students to participate in the Title IV Programs could have a material adverse effect on our business, results of operations or financial condition. Legislative action may also increase our administrative costs and require us to adjust our practices in order for our schools to comply fully with the Title IV Program requirements.

**Cohort Default Rates.** A significant component of the U.S. Congress' initiative to reduce abuse in the Title IV Programs has been the imposition of limitations on institutions whose former students default on the repayment of their federally guaranteed or funded student loans above specific rates. All of our institutions have implemented aggressive student loan default management programs aimed at reducing the likelihood of students failing to repay their loans in a timely manner. Those programs emphasize the importance of students meeting loan repayment requirements and provide for extensive loan counseling, methods to increase student persistence and completion rates and graduate employment rates, and proactive borrower contacts after students cease enrollment.

An institution's cohort default rate under the FFEL and FDL programs is calculated on an annual basis as the rate at which student borrowers scheduled to begin repayment on their loans in one federal fiscal year default on those loans by the end of the next federal fiscal year. An institution whose cohort default rates equal or exceed 25% for three consecutive years will no longer be eligible to participate in the FFEL, FDL or Pell programs for the remainder of the federal fiscal year in which the Department of Education determines that such institution has lost its eligibility and for the two subsequent federal fiscal years. An institution whose cohort default rate under the FFEL or FDL program for any federal fiscal year exceeds 40% may have its eligibility to participate in all of the Title IV Programs limited, suspended or terminated by the Department of Education.

None of our 27 institutions participating in FFEL or FDL programs had an FFEL or FDL cohort default rate of 25% or greater for any of the last three federal fiscal years. The following table sets

16

forth the FFEL and FDL cohort default rates for our institutions for federal fiscal years 2000, 1999 and 1998, the most recent years for which the Department of Education has published such rates:

School	FFEL and FDL Cohort Default Rate		
	2000	1999	1998
<b>American InterContinental University</b>			
Atlanta, GA (Dunwoody and Buckhead)			
Dubai, United Arab Emirates,			
Los Angeles, CA, Ft. Lauderdale, FL and London, England	6.4%	10.9%	8.4%
<b>Allentown Business School</b>			
Allentown, PA	11.2%	9.2%	9.2%
<b>Briarcliffe College</b>			
Bethpage & Patchogue, NY	5.9%	5.4%	7.9%
<b>Brooks College</b>			
Long Beach, CA	6.1%	9.8%	16.3%
<b>Brooks Institute of Photography</b>			
Santa Barbara, CA	6.8%	5.7%	6.0%
<b>Brown College</b>			
Mendota Heights, MN	3.7%	9.5%	5.5%
<b>California Culinary Academy</b>			
San Francisco, CA	5.6%	4.0%	2.7%
<b>California School of Culinary Arts*</b>			
Pasadena, CA	0.0%	0.0%	0.0%
<b>Collins College</b>			
Tempe, AZ	7.6%	9.9%	10.0%



Edgar Filing: CAREER EDUCATION CORP - Form 10-K/A

FFEL and FDL Cohort Default Rate

<b>The Cooking and Hospitality Institute of Chicago</b>			
Chicago, IL	15.4%	10.1%	7.9%
<b>Gibbs College</b>			
Norwalk, CT	9.6%	9.1%	5.6%
Montclair, NJ and Piscataway, NJ	11.4%	16.9%	16.5%
<b>Gibbs School</b>			
Vienna, VA	5.9%	8.7%	9.2%
<b>Harrington Institute of Interior Design</b>			
Chicago, IL	2.7%	1.7%	1.4%
<b>International Academy of Design &amp; Technology</b>			
Chicago, IL	13.1%	9.8%	6.8%
Pittsburgh, PA and Fairmont, WV	9.6%	9.1%	9.5%
Tampa, FL and Orlando, FL	7.9%	6.0%	7.5%
<b>The Katharine Gibbs Schools</b>			
Boston, MA	10.5%	12.4%	14.2%
Melville, NY	6.2%	8.2%	7.6%
New York, NY and Philadelphia, PA	11.0%	6.8%	8.5%
Providence, RI	5.1%	1.8%	18.5%

17

FFEL and FDL Cohort Default Rate

School	2000	1999	1998

&n