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## CER OPINION AND ANALYSIS

### For What It's Worth...

Sector commentary by Stephen B. Friedheim, CER advisory board chair. p.1

### Watching Washington: Accreditation in Focus

Sector perspective by Sean Johnson, CER political analyst. National accreditors share their experiences and remain optimistic after the first round of negotiated rule making. The future of reauthorization continues to remain in doubt as the House and Senate seek their own solutions. p.3

## WASHINGTON PERSPECTIVE

*Career College Sector Education Policy & Politics*

### Profiteering Colleges

A *New York Times* editorial questions the

validity of for-profit colleges and suggests that some are diploma mills that bilk the government and students alike. p.5

### CCA's Response:

Harris Miller, new CCA president, responds with a well crafted outline that details the true nature and scope of the sector and its continued dedication to compliance. p.5

### Grant Access to Higher Education

In this editorial, Senator Edward M. Kennedy makes the case to provide more accessible funding to students in need, and also offers criticism of the student loan industry's lending practices. p.7

### Students Relying More Heavily on Private Lenders

The College Board reports that private student loans now total \$17.3 billion, having grown an average annual rate of about 27 percent in inflation-adjusted dollars since 2000-01. p.8



The Career College Information Source

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## Panel Advises Community Colleges on Raising Graduation Rate

To boost low graduation rates, the state's (Mass.) community colleges should reach out to students with mentoring, support groups, and more full-time faculty, reports a *Boston Globe* editorial. p.9

## No Link Between Federal Student Aid, Tuition Increases

The American Council on Education compiled a brief compendium of recent research on the issue that contradicts a commonly held belief that there is a direct relationship between aid and tuition increases. p.11

### CAREER COLLEGE UPDATES

## Empire Beauty Schools' 2nd Annual National Day of Beauty Raises \$23,500 for Kidspeace®

Students, faculty, clients and the corporate team united to help kids overcome crisis and improve their lives. p.12

## DeVry, OBC Announce Benefits for Grads

Students of Ohio Business College and DeVry University can now transfer credits from one school to another. p.13

## Lincoln Educational Services Corporation Completes Re-Branding Initiative

The corporation has re-branded eight schools as "Lincoln College of Technology" and 21 schools as "Lincoln Technical Institute." p.13

### NEW PROGRAMS

## Capella University Launches Three New Graduate Degree Programs in Public Safety and Information Technology

The new online degree programs in public safety, IT, business, and education will begin spring quarter 2007. p.14

## Vatterott College's New Degree Program Addresses Medical Needs

The Wichita campus medical assisting program will start in April. p.15

## Certified Medical Office Assistant Training Now Offered by Washington Online Institute

The nation's longest established Internet-based school for paralegals, will now offer a Certified Medical Office Assistant program. p.16

### NEW CAMPUS LOCATIONS

**ITT Educational Services** will open its sixth Florida campus, bringing the total number of ITT Technical Institutes to 88. p.17

### PERSONNEL APPOINTMENTS AND PROMOTIONS

Former University of Phoenix CEO, **Todd Nelson** has been named CEO of Education Management LLC. p.18

**Brian L. Swartz** has been appointed vice president, corporate controller and chief accounting officer by Apollo Group, Inc. p.18

**Frank Stryjewski** has been appointed by Corinthian Colleges, Inc. as division president of WyoTech, a newly created position. p.19

**Peter Goetz** has joined Ross University as vice president for marketing and enrollment. p.19

### EDUCATION TRENDS

## 2-Year College Paths Fall Short

Three out of four California community college students are failing to complete their studies and transfer to a four-year university or graduate, largely because of flawed state policies. p.20

## Study Shows For-Profit Career Colleges Major Supplier of Workers

Private for-profit career colleges supply about a third of the state's workforce with career-level education and have an economic impact of about \$330 million. p.20

## Proprietary Schools Gain Favor as Education Choice

The Scranton, Pa. *Times-Tribune* has produced a highly favorable feature story on the area's for-profit career colleges. p.21

## **ETS's America's Perfect Storm Report Has Converging Forces Threatening Our Future**

Inadequate literacy skills, the continuing evolution of the economy, and an ongoing shift in the demographic profile is creating "a perfect storm" that could have dire consequences for our nation. p.23

## **IT Jobs Go In—and Out—of Favor**

Businesses' IT needs change, buffeting IT workers with system-specific skills in waves of high, low and no demand for their skills. p.25

## **LEGAL AND REGULATORY ISSUES**

## **HCI Delran Campus Shuts Down**

After shutting four schools earlier this week, Harrison Career Institute has closed another campus in Delran, leaving the once vital 13-branch private vocational school with just two campuses open. p.27

## **Sallie Mae Chairman Al Lord Being Investigated by House What Did Al Lord Know? And When Did He Know It?**

Sallie Mae chair Lord is being investigated as to whether he received an inside tip from Bush administration officials before he made a call to his broker to sell 400,000 shares of the company's stock. p.28

*Analyst's Comments from Colin Barr, TheStreet.com*

The five dumbest things on Wall Street this week: Number 4, Lord's prayer answered. Sallie Mae investors are getting schooled again. p.29

## **OIG Reports**

Former Vatterott admissions representative Robert Marshall pled guilty to identity fraud. p.30

Former California Business Institute officials pled guilty to financial aid fraud. p.30

## **Attorney General Andrew Cuomo Launches Broad Expansion of Investigation into Potential Conflicts of Interest in the Student Loan Industry**

Cuomo's office requested records from six lenders and more than 60 public and private colleges and universities nationwide detailing

standards and practices in the development of "preferred lender" lists. p.31

## **CORPORATE SCHOOL NEWS AND REPORTS**

## **APOL Apollo Group, Inc.**

The company reported that its fiscal first-quarter profit declined 12 percent due to higher costs, and warned that accounting changes are expected to materially hurt prior results. p.32

*Analyst's Comments from Howard Block, Banc of America Securities*

Curtain is unlikely to be pulled on the 'Wizard of Phoenix.' p.34

## **Troubles Grow for a University Built on Profits**

The *New York Times* reports that the university's graduation rate, using the federal standard, is 16 percent, which is among the nation's lowest. p.35

*Analyst's Comments from Jeffrey M. Silber, BMO Capital Markets*

Negative *NY Times* article is nothing new, but intriguing reading. p.37

## **CECO Career Education Corporation**

The company reported for the quarter that its profits declined 70 percent as results in its university segment suffered. New student enrollment dropped 19 percent. p.38

### **Press and Analyst's Comments:**

*Jeffrey M. Silber, BMO Capital Markets*

Our first thoughts on the 'new CECO.' p.39

*Associated Press*

Career Education declines on 4Q results. p.39

*Rich Smith, The Motley Fool*

Foolish forecast: Career Education's last chance. p.40

## **COCO Corinthian Colleges, Inc.**

The company has given its chief executive a 28 percent raise. Jack D. Massimino was awarded a salary of \$800,000 a year, retroactive to last July. p.41

## **CPLA Capella Education Company**

The company reported for the quarter ending December 31, 2006 that annual revenue was up 21 percent and enrollment up 23 percent. p.42

*Analyst's Comments from Howard Block, Banc of America Securities*  
Product differentiation strategy should facilitate realization of higher target price; raised target price to \$38. p.43

### **Education Management LLC**

The company reported for the quarter ending December 31, 2006 that net revenues rose 14.8 percent to \$358.8 million and enrollment for the winter quarter of approximately 81,800 students, was up 13.7 percent from the same period in the prior year. p.44

### **EDU New Oriental Education & Technology Group, Inc.**

The company has announced the pricing of its follow-on offering of 7,000,000 American Depositary Shares at US\$41.50 per ADS. p.45

### **LAUR Laureate Education, Inc.**

The firm has increased its ownership and is challenging management's proposed buyout offer as being below the market value of the company. p.46

### **STRA Strayer Education, Inc.**

The company reported record fourth quarter and full year revenues, earnings and enrollments. p.47

*Analysts' Comments from Trace Urdan & Jeff Lee, Signal Hill Capital Group*  
"Boring is Good." p.48

### **UTI Universal Technical Institute, Inc.**

The company reported a lower first-quarter profit as enrollment declined and expenses rose. p.49

*Press Comments from Associated Press*  
Universal Technical Institute's stock price is down as 1st quarter profit declines; analyst downgrades to Neutral from Buy rating. p.49

### **WPO The Washington Post Company's Kaplan Colleges**

The education division revenue in 2006 increased 19 percent to \$1,684.1 million from

\$1,412.4 million in 2005, making the division the most profitable and best performing of the company's various operations. p.51

## ACQUISITIONS AND MERGERS

### **National University System Acquires WestMed College as Newest Affiliate**

Based in San Jose, California, WestMed provides career training for licensed vocational nurses, paramedics and emergency medical technicians, nursing assistants and early childhood educators. p.52

## FINANCE AND INVESTMENT

### **ITT Keeps Adding Students While Competitors Stumble**

ITT Educational Services has boosted enrollment and pushed up earnings, moving it to the front of the class. p.53

### **Private Equity Firms' Foray Into For-Profit Education LBOs**

With the current proposed management buyout of Laureate Education under consideration, both Apollo Group and Educate are also considered to be candidates for buyout by private equity companies. p.55

## REVIEW OF ADVERTISEMENTS

### **Display Ads** p.56

- ACT College
- Concorde Career College
- IntelliTec Colleges
- Institute of Business & Medical Careers, Inc.
- Arizona College of Allied Health
- Accounting & Business School of the Rockies
- Colorado Technical University