CAREER EDUCATION CORP
Form 10-Q
November 04, 2015

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-Q

(Mark one)

x QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
FOR THE QUARTERLY PERIOD ENDED SEPTEMBER 30, 2015

OR

o TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
FOR THE TRANSITION PERIOD FROM TO

Commission File Number: 0-23245

CAREER EDUCATION CORPORATION

(Exact name of registrant as specified in its charter)

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

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

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

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

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

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

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

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

CAREER EDUCATION CORPORATION

FORM 10-Q

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CAREER EDUCATION CORPORATION AND SUBSIDIARIES

CONDENSED CONSOLIDATED BALANCE SHEETS

(In thousands, except share amounts)

ASSETS	September 30, 2015 (unaudited)	December 31, 2014
CURRENT ASSETS:		
Cash and cash equivalents, unrestricted	$ 68,940	$ 93,832
Restricted cash	13,688	22,938
Short-term investments	116,790	122,858
Total cash and cash equivalents, restricted cash and short-term investments	199,418	239,628
Student receivables, net of allowance for doubtful accounts of $13,283 and $12,398 as of September 30, 2015 and December 31, 2014, respectively	27,696	24,564
Receivables, other, net	4,415	18,925
Prepaid expenses	13,360	14,679
Inventories	2,353	3,305
Other current assets	1,565	2,384
Assets held for sale	29,239	76,846
Assets of discontinued operations	347	473
Total current assets	278,393	380,804
NON-CURRENT ASSETS:		
Property and equipment, net	54,680	73,083
Goodwill	87,356	87,356
Intangible assets, net	7,900	9,819
Student receivables, net of allowance for doubtful accounts of $1,628 and $2,119 as of September 30, 2015 and December 31, 2014, respectively	2,874	2,926
Other assets	16,901	18,571
Assets of discontinued operations	780	975
TOTAL ASSETS	$ 448,884	$ 573,534
LIABILITIES AND STOCKHOLDERS' EQUITY		
CURRENT LIABILITIES:		
Short-term borrowings	$ —	$ 10,000
Accounts payable	28,293	21,968
Accrued expenses:		
Payroll and related benefits	31,208	29,545
Advertising and production costs	15,026	13,162
Income taxes	1,717	1,633
Other	22,295	21,440
Deferred tuition revenue	31,004	37,572
Liabilities held for sale	45,187	50,357
Liabilities of discontinued operations	12,355	15,506
Total current liabilities	187,085	201,183

NON-CURRENT LIABILITIES:		
Deferred rent obligations	34,999	48,381
Other liabilities	19,760	19,178
Liabilities of discontinued operations	12,597	22,859
Total non-current liabilities	67,356	90,418
STOCKHOLDERS' EQUITY:		
Preferred stock, $0.01 par value; 1,000,000 shares authorized; none issued or outstanding	—	—
Common stock, $0.01 par value; 300,000,000 shares authorized; 82,874,634 and 82,336,689 shares issued, 67,981,417 and 67,521,038 shares outstanding as of September 30, 2015 and December 31, 2014, respectively	829	823
Additional paid-in capital	610,063	606,531
Accumulated other comprehensive loss	(620)	(853)
Retained deficit	(200,242)	(109,403)
Cost of 14,893,217 and 14,815,651 shares in treasury as of September 30, 2015 and December 31, 2014, respectively	(215,587)	(215,165)
Total stockholders' equity	194,443	281,933
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	$ 448,884	$ 573,534

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

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CAREER EDUCATION CORPORATION AND SUBSIDIARIES

UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF LOSS AND COMPREHENSIVE LOSS

(In thousands, except per share amounts)

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

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

CAREER EDUCATION CORPORATION AND SUBSIDIARIES

UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

(In thousands)

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

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

CAREER EDUCATION CORPORATION AND SUBSIDIARIES

NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

1. DESCRIPTION OF THE COMPANY

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

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

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

2. BASIS OF PRESENTATION

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

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

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

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

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

3. RECENT ACCOUNTING PRONOUNCEMENTS

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

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

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

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

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

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

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

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

4. DISPOSITIONS

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

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

5. DISCONTINUED OPERATIONS

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

Results of Discontinued Operations

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

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

(1) Includes the results of operations for our LCB campuses that are held for sale, which met the criteria to be considered discontinued operations under ASC Topic 360, in addition to our Transitional Group campuses that completed their teach-out prior to 2015.
(2) Asset impairment charges for the current year quarter and year to date relate to impairment recorded for our LCB campuses which are held for sale as a result of our fair value analysis.
(3) Due to the valuation allowance against our net deferred taxes, there is no income tax benefit reported for the quarters and years to date ended September 30, 2015 and 2014.

Assets and Liabilities of Discontinued Operations

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

	September 30, 2015	December 31, 2014
Assets:		
Current assets:		
Receivables, net	$ 334	$ 473
Other current assets	13	—
Total current assets	347	473
Non-current assets:		
Other assets, net	780	975
Total assets of discontinued operations (1)	$ 1,127	$ 1,448
Liabilities:		

Current liabilities:		
Accounts payable and accrued expenses	$ 172	$ 579
Remaining lease obligations	12,183	14,927
Total current liabilities	12,355	15,506
Non-current liabilities:		
Remaining lease obligations	12,434	22,689
Other	163	170
Total liabilities of discontinued operations [1]	$ 24,952	$ 38,365

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

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Remaining Lease Obligations

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

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

(1) Includes charges for newly vacated spaces and subsequent adjustments for accretion, revised estimates and variances between estimated and actual charges, net of any reversals for terminated lease obligations.
(2) Includes existing prepaid rent and deferred rent liability balances for newly vacated spaces that are netted with the losses incurred in the period recorded.

6. ASSETS HELD FOR SALE

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

Results of Operations

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

Reported within loss from discontinued operations for our LCB campuses

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

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

Assets and Liabilities of Assets Held for Sale

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

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

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

7. INVESTMENTS

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

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

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

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

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

Fair Value Measurements

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

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

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

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

	As of December 31, 2014			
	Level 1	Level 2	Level 3	Total
Municipal bonds	$—	$6,825	$7,374	$14,199

Non-governmental debt securities	—	98,130	—	98,130
Treasury and federal agencies	—	17,903	—	17,903
Totals	$—	$122,858	$7,374	$130,232

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

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

Equity Method Investment

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

Credit Agreement

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

8. STUDENT RECEIVABLES

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

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

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

Student Receivables Under Extended Payment Plans and Recourse Loan Agreements

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

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

Student Receivables Valuation Allowance

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

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

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

Fair Value Measurements

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

9. RESTRUCTURING CHARGES

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

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

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

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

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

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

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

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

10. CONTINGENCIES

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

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

Litigation

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

Student Litigation

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

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

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

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

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

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

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

False Claims Act

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

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

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

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

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

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

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

Employment Litigation

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

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

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

Other Litigation

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

State Investigations

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

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

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

Federal Trade Commission Inquiry

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

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

Regulatory Matters

ED Inquiry and HCM1 Status

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

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

OIG Audit

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

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

11. INCOME TAXES

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

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

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

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

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

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

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

12. SHARE-BASED COMPENSATION

Overview of Share-Based Compensation Plans

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

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

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

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

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

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

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

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

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

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

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

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

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

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

	Restricted Stock Units to be Settled

	in Cash
Outstanding as of December 31, 2014	1,842
Granted	1,020
Vested	(444)
Forfeited	(551)
Outstanding as of September 30, 2015	1,867

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

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

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

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

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

13. WEIGHTED AVERAGE COMMON SHARES

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

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

14. SEGMENT REPORTING

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

University Group:

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

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

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

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

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

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

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

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

15. SUBSEQUENT EVENT

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