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## Career Education Corp. Q1 2008 Earnings Call Transcript

### Question-and-Answer Session

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#### Operator

(Operator instructions) Your first question comes from Gary Bisbee – Lehman Brothers.

#### Gary Bisbee – Lehman Brothers

A question on the increased disclosure around student lending in your press release, it appears that the benefit you're expecting on average for each of your students from the Stafford loan limit increase would only be on an annualized basis something like \$400.00 or substantially less than the \$2,000.00 increase.

I guess I wondered if you could give some more color on that, is that just a mix issue? Some programs are cheap enough that the kids just won't need that extra amount and only a smaller portion actually will? Why would the benefit not be more?

#### Gary McCullough

What we did to come up with that number and obviously the legislation is new, we went division by division, SBU by SBU and took as much data as we had on our serial students, continuing students, as well as new starts and the new start impact. And we looked at our relative gap, the relative amount of Pell and the relative amount of Stafford and then division by division we calculated out how that up to \$2,000.00 limit would benefit moving money from our balance sheet, using our balance sheet to the Federal balance sheet.

And so it is mostly driven by mix. Our health business unit has the least need for financing, our culinary has the most need for financing. And it's been calculated out that way and again that is simply the Stafford of impact only on our use of balance sheet, it does not impact any improvement in our business from additional private loans or additional volume that may come from students who now have more affordable educations.

#### Gary Bisbee – Lehman Brothers

I wondered if you could give us any color on the starts growth at CTU, it appears to slow down a bit verse the recent trend, is that more of a one quarter data point or was there some slowing there that we should expect going forward?

#### Gary McCullough

I don't think there's any slowing, if you look at the CTU starts fourth quarter to first quarter, the number of actual starts themselves are very consistent with over 5,000 starts at the university. As you remember back to the two plus two program and things we had last year, we were coming off a relatively easier comp basis and last year's first quarter was a high start number. So I think it's just more math of the percentage but the start number fourth quarter to first quarter was very consistent.

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