

LINCOLN EDUCATIONAL SERVICES CORP  
Form 10-Q  
August 05, 2009

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UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION  
WASHINGTON, D.C. 20549

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Form 10-Q

(Mark One)

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

For the quarterly period ended June 30, 2009

or

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

For the transition period from \_\_\_\_\_ to \_\_\_\_\_

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Commission File Number 000-51371

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LINCOLN EDUCATIONAL SERVICES CORPORATION  
(Exact name of registrant as specified in its charter)

New Jersey  
(State or other jurisdiction of incorporation or organization)

57-1150621  
(IRS Employer Identification No.)

200 Executive Drive, Suite 340  
West Orange, NJ  
(Address of principal executive offices)

07052  
(Zip Code)

(973) 736-9340  
(Registrant's telephone number, including area code)

No change  
(Former name, former address and former fiscal year, if changed since last report)

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  No

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Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes  No

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

Accelerated filer

Non-accelerated filer  (Do not check if a smaller reporting company)

Smaller reporting company

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

As of August 3, 2009, there were 26,847,065 shares of the registrant’s common stock outstanding.

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LINCOLN EDUCATIONAL SERVICES CORPORATION AND SUBSIDIARIES

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FOR THE QUARTERLY PERIOD ENDED JUNE 30, 2009

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## PART I – FINANCIAL INFORMATION

## Item 1. Financial Statements

LINCOLN EDUCATIONAL SERVICES CORPORATION AND SUBSIDIARIES  
 CONDENSED CONSOLIDATED BALANCE SHEETS  
 (In thousands, except share amounts)  
 (Unaudited)

	June 30, 2009	December 31, 2008
<b>ASSETS</b>		
<b>CURRENT ASSETS:</b>		
Cash and cash equivalents	\$12,638	\$ 15,234
Restricted cash	368	383
Accounts receivable, less allowance of \$18,902 and \$13,914 at June 30, 2009 and December 31, 2008, respectively	28,188	22,857
Inventories	3,661	3,374
Deferred income taxes, net	7,222	5,627
Due from federal programs	-	828
Prepaid income taxes	3,628	-
Prepaid expenses and other current assets	7,496	2,958
<b>Total current assets</b>	<b>63,201</b>	<b>51,261</b>
<b>PROPERTY, EQUIPMENT AND FACILITIES - At cost, net of accumulated depreciation and amortization of \$89,737 and \$83,345 at June 30, 2009 and December 31, 2008, respectively</b>	<b>141,037</b>	<b>108,567</b>
<b>OTHER ASSETS:</b>		
Noncurrent accounts receivable, less allowance of \$955 and \$824 at June 30, 2009 and December 31, 2008, respectively	3,822	3,326
Deferred finance charges	429	632
Deferred income taxes, net	8,380	7,080
Goodwill	111,926	91,460
Other assets, net	9,768	5,716
<b>Total other assets</b>	<b>134,325</b>	<b>108,214</b>
<b>TOTAL</b>	<b>\$338,563</b>	<b>\$ 268,042</b>

See notes to unaudited condensed consolidated financial statements.

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LINCOLN EDUCATIONAL SERVICES CORPORATION AND SUBSIDIARIES  
CONDENSED CONSOLIDATED BALANCE SHEETS

(In thousands, except share amounts)

(Unaudited)

(Continued)

	June 30, 2009	December 31, 2008
<b>LIABILITIES AND STOCKHOLDERS' EQUITY</b>		
<b>CURRENT LIABILITIES:</b>		
Current portion of long-term debt and lease obligations	\$5,502	\$ 130
Unearned tuition	40,740	38,806
Accounts payable	15,720	12,349
Accrued expenses	21,026	16,239
Advanced payments from federal funds	75	-
Income taxes payable	-	3,263
Other short-term liabilities	637	314
<b>Total current liabilities</b>	<b>83,700</b>	<b>71,101</b>
<b>NONCURRENT LIABILITIES:</b>		
Long-term debt and lease obligations, net of current portion	37,101	10,044
Pension plan liabilities, net	4,196	4,335
Accrued rent	6,172	5,972
Other long-term liabilities	1,960	1,641
<b>Total liabilities</b>	<b>133,129</b>	<b>93,093</b>
<b>COMMITMENTS AND CONTINGENCIES</b>		
<b>STOCKHOLDERS' EQUITY:</b>		
Preferred stock, no par value - 10,000,000 shares authorized, no shares issued and outstanding at June 30, 2009 and December 31, 2008	-	-
Common stock, no par value - authorized 100,000,000 shares at June 30, 2009 and December 31, 2008, issued and outstanding 27,445,064 shares at June 30, 2009 and 26,088,261 shares at December 31, 2008	136,701	120,597
Additional paid-in capital	16,008	15,119
Deferred compensation	(3,377 )	(3,619 )
Treasury stock at cost - 615,000 shares at June 30, 2009 and December 31, 2008	(6,584 )	(6,584 )
Retained earnings	68,469	55,219
Accumulated other comprehensive loss	(5,783 )	(5,783 )
<b>Total stockholders' equity</b>	<b>205,434</b>	<b>174,949</b>
<b>TOTAL</b>	<b>\$338,563</b>	<b>\$ 268,042</b>

See notes to unaudited condensed consolidated financial statements.

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LINCOLN EDUCATIONAL SERVICES CORPORATION AND SUBSIDIARIES  
CONDENSED CONSOLIDATED STATEMENTS OF INCOME  
(In thousands, except per share amounts)  
(Unaudited)

	Three Months Ended June 30,		Six Months Ended June 30,	
	2009	2008	2009	2008
REVENUES	\$128,110	\$85,056	\$246,709	\$169,103
COSTS AND EXPENSES:				
Educational services and facilities	51,120	35,927	99,418	72,555
Selling, general and administrative	63,573	46,440	123,187	92,573
(Gain) loss on sale of assets	(12 )	3	(14 )	40
Total costs & expenses	114,681	82,370	222,591	165,168
OPERATING INCOME	13,429	2,686	24,118	3,935
OTHER:				
Interest income	7	18	9	63
Interest expense	(1,098 )	(582 )	(2,103 )	(1,086 )
Other income	8	-	17	-
INCOME BEFORE INCOME TAXES	12,346	2,122	22,041	2,912
PROVISION FOR INCOME TAXES	4,920	881	8,791	1,187
NET INCOME	\$7,426	\$1,241	\$13,250	\$1,725
Basic				
Net income per share	\$0.28	\$0.05	\$0.51	\$0.07
Diluted				
Net income per share	\$0.27	\$0.05	\$0.49	\$0.07
Weighted average number of common shares outstanding:				
Basic	26,477	25,341	26,093	25,500
Diluted	27,217	26,059	26,834	26,154

See notes to unaudited condensed consolidated financial statements.

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LINCOLN EDUCATIONAL SERVICES CORPORATION AND SUBSIDIARIES  
CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN STOCKHOLDERS' EQUITY  
(In thousands, except share amounts)  
(Unaudited)

	Common Stock		Additional	Deferred	Treasury	Retained	Accumulated Other Comprehensive	Total
	Shares	Amount	Paid-in Capital	Compensation	Stock	Earnings	Loss	
BALANCE - January 1, 2009	26,088,261	\$ 120,597	\$ 15,119	\$ (3,619 )	\$(6,584 )	\$ 55,219	\$ (5,783 )	\$ 174,949
Net income	-	-	-	-	-	13,250	-	13,250
Stock-based compensation expense								
Restricted stock	19,288	-	320	242	-	-	-	562
Stock options	-	-	502	-	-	-	-	502
Tax benefit of options exercised	-	-	122	-	-	-	-	122
Sale of common stock, net of expenses	1,150,000	14,932	-	-	-	-	-	14,932
Net share settlement for equity-based compensation	(5,013 )	-	(55 )	-	-	-	-	(55 )
Exercise of stock options	192,528	1,172	-	-	-	-	-	1,172
BALANCE - June 30, 2009	27,445,064	\$ 136,701	\$ 16,008	\$ (3,377 )	\$(6,584 )	\$ 68,469	\$ (5,783 )	\$ 205,434

See notes to unaudited condensed consolidated financial statements.

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LINCOLN EDUCATIONAL SERVICES CORPORATION AND SUBSIDIARIES  
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

(In thousands)

(Unaudited)

	Six Months Ended June 30,	
	2009	2008
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>		
Net income	\$13,250	\$1,725
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	11,374	8,936
Amortization of deferred finance charges	99	97
Deferred income taxes	(1,643 )	(1,221 )
(Gain) loss on disposition of assets	(14 )	40
Provision for doubtful accounts	15,890	9,569
Write-off of trade name	280	-
Stock-based compensation expense	1,064	1,171
Tax benefit associated with exercise of stock options	(122 )	(5 )
Deferred rent	194	271
(Increase) decrease in assets, net of acquisitions:		
Accounts receivable	(19,113 )	(9,372 )
Inventories	(144 )	(256 )
Prepaid expenses and current assets	(82 )	203
Due from federal programs	903	5,935
Other assets	(236 )	255
Increase (decrease) in liabilities, net of acquisitions:		
Accounts payable	(2,434 )	402
Other liabilities	(113 )	(903 )
Income taxes payable/prepaid	(6,769 )	(3,225 )
Accrued expenses	1,601	569
Unearned tuition	(4,153 )	(5,834 )
Total adjustments	(3,418 )	6,632
Net cash provided by operating activities	9,832	8,357
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>		
Restricted cash	377	-
Capital expenditures	(5,828 )	(12,560 )
Proceeds from sale of property and equipment	90	-
Acquisitions, net of cash acquired	(27,552 )	-
Net cash used in investing activities	(32,913 )	(12,560 )
<b>CASH FLOWS FROM FINANCING ACTIVITIES:</b>		
Proceeds from borrowings	44,000	23,000
Payments on borrowings	(39,000 )	(7,000 )
Proceeds from exercise of stock options	1,172	67
Tax benefit associated with exercise of stock options	122	5
Net share settlement for equity-based compensation	(55 )	-
Principal payments under capital lease obligations	(686 )	(105 )
Purchase of treasury stock	-	(6,375 )



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Proceeds from issuance of common stock, net of issuance costs	14,932	-
Net cash provided by financing activities	20,485	9,592
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS	(2,596 )	5,389
CASH AND CASH EQUIVALENTS—Beginning of period	15,234	3,502
CASH AND CASH EQUIVALENTS—End of period	\$12,638	\$8,891

See notes to unaudited condensed consolidated financial statements.

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LINCOLN EDUCATIONAL SERVICES CORPORATION AND SUBSIDIARIES  
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

(In thousands)

(Unaudited)

(Continued)

Six Months Ended  
June 30,  
2009                      2008

SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION:

Cash paid during the year for:

Interest	\$2,025	\$941
Income taxes	\$17,786	\$6,023

SUPPLEMENTAL SCHEDULE OF NONCASH INVESTING AND FINANCING

ACTIVITIES:

Fixed assets acquired in noncash transactions	\$656	\$1,440
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See notes to unaudited condensed consolidated financial statements.

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LINCOLN EDUCATIONAL SERVICES CORPORATION AND SUBSIDIARIES  
NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS  
THREE AND SIX MONTHS ENDED JUNE 30, 2009 AND 2008  
(In thousands, except share and per share amounts and unless otherwise stated)  
(Unaudited)

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Business Activities – Lincoln Educational Services Corporation and subsidiaries (the "Company") is a diversified provider of career-oriented post-secondary education. The Company offers recent high school graduates and working adults degree and diploma programs in five principal areas of study: automotive technology, health sciences, skilled trades, business and information technology and hospitality services. The Company currently has 43 schools in 17 states across the United States.

Basis of Presentation – The accompanying unaudited condensed consolidated financial statements have been prepared by the Company pursuant to the rules and regulations of the Securities and Exchange Commission and in accordance with accounting principles generally accepted in the United States of America ("GAAP"). Certain information and footnote disclosures normally included in annual financial statements have been omitted or condensed pursuant to such regulations. These statements, should be read in conjunction with the December 31, 2008 consolidated financial statements of the Company, and reflect all adjustments, consisting solely of normal recurring adjustments, necessary to present fairly the consolidated financial position, results of operations, and cash flows for such periods. The results of operations for the three months and six months ended June 30, 2009 are not necessarily indicative of the results that may be expected for the fiscal year ending December 31, 2009.

The unaudited condensed consolidated financial statements include the accounts of the Company and its subsidiaries. All intercompany accounts and transactions have been eliminated.

Use of Estimates in the Preparation of Financial Statements – The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenues and expenses during the period. On an ongoing basis, the Company evaluates the estimates and assumptions, including those related to revenue recognition, bad debts, fixed assets, goodwill and other intangible assets, stock-based compensation, income taxes, benefit plans and certain accruals. Actual results could differ from those estimates.

Stock Based Compensation – The Company accounts for stock-based employee compensation arrangements in accordance with the provisions of Statement of Financial Accounting Standards ("SFAS") No. 123R, "Share Based Payment." The accompanying condensed consolidated statements of operations include compensation expense of approximately \$0.5 million and \$0.6 million for the three months ended June 30, 2009 and 2008, respectively, and \$1.1 million and \$1.2 million for the six months ended June 30, 2009 and 2008, respectively. The Company uses the Black-Scholes valuation model and utilizes straight-line amortization of compensation expense over the requisite service period of the grant. The Company makes an estimate of expected forfeitures at the time options are granted.

2. RECENT ACCOUNTING PRONOUNCEMENTS

In June 2009, the Financial Accounting Standards Board ("FASB") issued SFAS No. 168, "The FASB Accounting Standards Codification and the Hierarchy of Generally Accepted Accounting Principles – a replacement of FASB Statement No. 162," ("SFAS No. 168"). SFAS No. 168 provides for the FASB Accounting Standards Codification (the "Codification") to become the single official source of authoritative, nongovernmental U.S. GAAP. The Codification

did not change GAAP but reorganizes the literature. SFAS No. 168 is effective for interim and annual periods ending after September 15, 2009. The adoption of this standard will have no effect on the Company's consolidated financial statements.

In June 2009, the FASB issued SFAS No. 166, "Accounting for Transfers of Financial Assets – an amendment of FASB Statement No. 140" ("SFAS No. 166") and SFAS No. 167, "Amendments to FASB Interpretation No. 46(R)" ("SFAS No. 167"). SFAS No. 166 will require more information about transfers of financial assets, eliminates the qualifying special purpose entity (QSPE) concept, changes the requirements for derecognizing financial assets and requires additional disclosures. SFAS No. 167 amends FASB Interpretation No. 46(R), "Consolidation of Variable Interest Entities" regarding certain guidance for determining whether an entity is a variable interest entity and modifies the methods allowed for determining the primary beneficiary of a variable interest entity. In addition, SFAS No. 167 requires ongoing reassessments of whether an enterprise is the primary beneficiary of a variable interest entity and enhanced disclosures related to an enterprise's involvement in a variable interest entity. SFAS No. 166 and SFAS No. 167 are effective for balance sheets beginning on or after January 1, 2010. The adoption of these standards is not expected to have an effect on the Company's consolidated financial statements.

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In May 2009, the FASB issued SFAS No. 165, "Subsequent Events" ("SFAS No. 165"). SFAS No. 165 establishes general standards of accounting for and disclosure of events that occur after the balance sheet date but before financial statements are issued or are available to be issued. SFAS No. 165 is effective for interim or annual financial periods ending after June 15, 2009. The adoption of this standard had no effect on the Company's consolidated financial statements.

In May 2008, the FASB issued SFAS No. 162, "The Hierarchy of Generally Accepted Accounting Principles," ("SFAS No. 162"). SFAS No. 162 identifies the sources of accounting principles and the framework for selecting the principles used in the preparation of financial statements. SFAS No. 162 was effective for the Company as of November 15, 2008. The adoption of this standard had no effect on the Company's consolidated financial statements.

In March 2008, the FASB issued SFAS No. 161, "Disclosures about Derivative Instruments and Hedging Activities," ("SFAS No. 161"), an amendment to FASB Statement No. 133. SFAS No. 161 is intended to improve financial standards for derivative instruments and hedging activities by requiring enhanced disclosures to enable investors to better understand their effects on an entity's financial position, financial performance, and cash flows. Entities are required to provide enhanced disclosures about: (a) how and why an entity uses derivative instruments; (b) how derivative instruments and related hedged items are accounted for under SFAS No. 133 and its related interpretations; and (c) how derivative instruments and related hedged items affect an entity's financial position, financial performance and cash flows. SFAS No. 161 was effective for the Company as of January 1, 2009. The adoption of the provisions of SFAS No. 161 had no effect on the Company's consolidated financial statements.

In December 2007, the FASB issued SFAS No. 141R, "Business Combinations" ("SFAS No. 141R"). SFAS No. 141R establishes revised principles and requirements for how the Company will recognize and measure assets and liabilities acquired in a business combination. SFAS 141R requires, among other things, transaction costs incurred in a business combination to be expensed, establishes a new measurement date for valuing acquirer shares issued in consideration for a business combination, and includes the recognition of contingent consideration and pre-acquisition gain and loss contingencies. SFAS No. 141R was effective for business combinations completed on or after January 1, 2009. For the six months ended June 30, 2009, the Company incurred approximately \$1.3 million of expenses related to the adoption of SFAS No. 141R.

In December 2007, the FASB issued SFAS No. 160, "Noncontrolling Interests in Consolidated Financial Statements, an amendment of Accounting Research Bulletin ("ARB") No. 51" ("SFAS No. 160"). SFAS No. 160 establishes accounting and reporting standards for the noncontrolling interest in a subsidiary and for the deconsolidation of a subsidiary. SFAS No. 160 was effective for the Company as of January 1, 2009. The adoption of the provision of SFAS No. 160 had no effect on the Company's consolidated financial statements.

### 3. WEIGHTED AVERAGE COMMON SHARES

The weighted average number of common shares used to compute basic and diluted income per share for the three and six months ended June 30, 2009 and 2008, respectively, was as follows:

	Three Months Ended June 30,		Six Months Ended June 30,	
	2009	2008	2009	2008
Basic shares outstanding	26,476,957	25,340,562	26,092,785	25,500,263
Dilutive effect of stock options	739,912	718,502	741,710	653,908

Diluted shares outstanding	27,216,869	26,059,064	26,834,495	26,154,171
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For the three months ended June 30, 2009 and 2008, options to acquire 202,500 and 813,208 shares, respectively, and for the six months ended June 30, 2009 and 2008, options to acquire 229,000 and 555,208 shares, respectively, were excluded from the above table as the effect of their inclusion on reported earnings per share would have been antidilutive.

#### 4. BUSINESS ACQUISITIONS

On January 20, 2009, the Company completed the acquisition of six of the seven schools comprising Baran Institute of Technology, Inc. ("BAR"), for approximately \$24.9 million in cash, net of cash acquired, subject to further customary post closing adjustments. BAR consists of seven schools serving approximately 1,900 students as of June 30, 2009 and offers associate and diploma programs in the fields of automotive, skilled trades, health sciences and culinary arts. On April 20, 2009, the Company acquired the seventh BAR school, Clemens College ("Clemens"), for \$2.7 million, in cash, net of cash acquired. In connection with these acquisitions, the Company incurred approximately \$1.3 million of expenses for the six months ended June 30, 2009 related to the acquisitions that were incurred in 2009, pursuant to SFAS No. 141R.

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On December 1, 2008, the Company acquired all of the rights, title and interest in the assets of Briarwood College (“BRI”) for approximately \$10.6 million, net of cash acquired. BRI is regionally accredited by the New England Association of Schools and Colleges, and currently offers two bachelor’s degree programs to approximately 130 students as of June 30, 2009 from Connecticut and surrounding states.

The consolidated financial statements include the results of operations from the respective acquisition dates. The purchase price allocation for BRI was finalized on June 30, 2009. With respect to BAR and Clemens acquisitions, the purchase prices have been preliminarily allocated to identifiable net assets with the excess of the purchase price over the estimated fair value of the net assets acquired recorded as goodwill. The allocation may be revised when the Company receives final information including appraisals, valuations, settlement of purchase price and other analyses related to certain intangible assets.

The following table summarizes the estimated fair value of assets acquired and liabilities related to acquisitions:

	BAR January 20, 2009 and Clemens April 20, 2009	BRI December 1, 2008
Restricted cash	\$ 362	\$ -
Current assets, excluding cash acquired (1)	7,947	195
Property, equipment and facilities	36,739	1,265
Goodwill	19,189	10,022
Identified intangibles:		
Student contracts	2,138	460
Trade name	510	-
Accreditation	1,040	960
Curriculum	710	-
Non-compete	1,980	-
Other long-term assets	3,612	21
Current liabilities assumed	(19,225)	(1,539)
Long-term liabilities assumed	(27,450)	(816)
Cost of acquisition, net of cash acquired	\$ 27,552	\$ 10,568

(1) Current assets, excluding cash acquired for BAR includes reported amounts due from the seller in accordance with the stock purchase agreement.

## 5. GOODWILL AND OTHER INTANGIBLE ASSETS

The Company accounts for its goodwill and intangible assets in accordance with SFAS No. 141R and SFAS No. 142, “Goodwill and Other Intangible Assets.” The Company reviews intangible assets for impairment when indicators of impairment exist. Annually, or more frequently, if necessary, the Company evaluates goodwill for impairment, with any resulting impairment reflected as an operating expense.

Changes in the carrying amount of goodwill from December 31, 2008 through June 30, 2009 are as follows (in thousands):

Goodwill balance as of December 31, 2008	\$91,460
Goodwill adjustments (1)	1,277
Goodwill acquired pursuant to business acquisition-BAR	19,189
Goodwill balance as of June 30, 2009	\$111,926

(1) Goodwill adjustments relate to the settlement of the final purchase price and an assessment of the intangible allocations of BRI.



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Intangible assets, which are included in other assets in the accompanying condensed consolidated balance sheets, consist of the following:

	Weighted Average Amortization Period (years)	At June 30, 2009			At December 31, 2008		
		Gross Carrying Amount	Accumulated Amortization	Net Carrying Amount	Gross Carrying Amount	Accumulated Amortization	Net Carrying Amount
Student contracts	2	\$4,813	\$ 2,999	\$1,814	\$2,563	\$ 2,230	\$333
Trade name	Indefinite	990	-	990	1,270	-	1,270
Trade name	6	509	40	469	-	-	-
Accreditation	Indefinite	2,307	-	2,307	1,307	-	1,307
Curriculum	10	1,410	340	1,070	2,000	289	1,711
Non-compete	3	2,181	428	1,753	201	105	96
<b>Total</b>		<b>\$12,210</b>	<b>\$ 3,807</b>	<b>\$8,403</b>	<b>\$7,341</b>	<b>\$ 2,624</b>	<b>\$4,717</b>

The change in student contracts, trade name, accreditation, curriculum and non-compete assets was due to the acquisition of six of the BAR schools on January 20, 2009, Clemens on April 20, 2009 and the finalization of the purchase price of BRI. In addition, during the second quarter of 2009, the Company wrote-off the value of the trade name of Florida Culinary Institute in West Palm Beach, Florida due to rebranding.

Amortization of intangible assets was approximately \$0.8 million and \$27 thousand for the three months ended June 30, 2009 and 2008, respectively, and \$1.2 million and \$58 thousand for the six months ended June 30, 2009 and 2008, respectively.

The following table summarizes the estimated future amortization expense:

Year Ending December 31,	
2009	\$ 1,291
2010	1,915
2011	909
2012	258
2013	207
Thereafter	526
	<b>\$ 5,106</b>

## 6. LONG-TERM DEBT AND LEASE OBLIGATIONS

Long-term debt and lease obligations consist of the following:

	June 30, 2009	December 31, 2008
Credit agreement (a)	\$ 5,000	\$ -
Finance obligation (b)	9,672	9,672

Notes payable (with rates ranging from 6.8% to 7.8%)	187	-
Capital lease-property (c)	27,311	-
Capital leases-equipment (with a rate of 8.5%)	433	502
	42,603	10,174
Less current maturities	(5,502 )	(130 )
	\$ 37,101	\$ 10,044

(a) The Company has a credit agreement with a syndicate of banks which terminates on February 15, 2010. Under the terms of the credit agreement, the syndicate provided the Company with a \$100 million credit facility. The credit agreement permits the issuance of up to \$20 million in letters of credit, the amount of which reduces the availability of permitted borrowings under the agreement. At the time of entering into the credit agreement, the Company incurred approximately \$0.8 million of deferred finance charges. At June 30, 2009, the Company had outstanding letters of credit aggregating \$5.6 million which were primarily comprised of letters of credit for the Department of Education and real estate leases.

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The obligations of the Company under the credit agreement are secured by a lien on substantially all of the assets of the Company and its subsidiaries and any assets that it or its subsidiaries may acquire in the future, including a pledge of substantially all of the subsidiaries' common stock. Outstanding borrowings bear interest at the rate of adjusted LIBOR plus 1.0% to 1.75%, as defined, or a base rate (as defined in the credit agreement). In addition to paying interest on outstanding principal under the credit agreement, the Company and its subsidiaries are required to pay a commitment fee to the lender with respect to the unused amounts available under the credit agreement at a rate equal to 0.25% to 0.40% per year, as defined.

As of December 31, 2008, the Company had no amounts outstanding under its credit agreement. During the six months ended June 30, 2009, the Company borrowed a total of \$44.0 million and repaid \$39.0 million under its credit agreement. As of June 30, 2009, the Company had \$5.0 million outstanding borrowings under its credit agreement. Interest rates on the loans during the six months ended June 30, 2009 ranged from 1.32% to 3.25%.

The credit agreement contains various covenants, including total funded debt to adjusted EBITDA of not less than 2:1, net worth of not less than \$141.8 million, a fixed charge coverage ratio of not less than 1:1, a minimum financial responsibility score of not less than 1, and a cohort default rate of not more than 20%. Additionally, the credit agreement contains customary events of default as well as an event of default in the event of the suspension or termination of Title IV Program funding for the Company's and its subsidiaries' schools aggregating 10% or more of the Company's EBITDA (as defined) or its consolidated total assets and such suspension or termination is not cured within a specified period. As of June 30, 2009, the Company was in compliance with the financial covenants contained in the credit agreement.

(b) The Company completed a sale and a leaseback of several facilities on December 28, 2001. The Company retains a continuing involvement in the lease and as a result it is prohibited from utilizing sale-leaseback accounting. Accordingly, the Company has treated this transaction as a finance lease. The lease expiration date is December 31, 2016.

(c) As part of the acquisition of BAR, the Company assumed real estate capital leases related to Americare School of Nursing in St. Petersburg, Florida and Connecticut Culinary Institute in Hartford, Connecticut. These leases bear interest at 8% and expire in 2032 and 2031, respectively.

## 7. EQUITY

The Company has two stock incentive plans: a Long-Term Incentive Plan (the "LTIP") and a Non-Employee Directors Restricted Stock Plan (the "Non-Employee Directors Plan").

Under the LTIP, certain employees received an award of restricted shares of common stock totaling 200,000 shares, valued at \$2.9 million, on October 30, 2007; 80,000 shares, valued at \$1.0 million, on February 29, 2008; 8,000 shares, valued at \$0.1 million, on May 2, 2008; and 8,000 shares, valued at \$0.1 million, on May 5, 2008. As of June 30, 2009, there were a total of 296,000 restricted shares awarded and 59,200 shares vested under the LTIP. The restricted shares vest ratably on the first through fifth anniversary of the grant date; however, there is no vesting period on the right to vote or the right to receive dividends on these restricted shares. The recognized restricted stock expense for the three months ended June 30, 2009 and 2008 was \$0.2 million and \$0.2 million, respectively, and for the six months ended June 30, 2009 and 2008 was \$0.4 million and \$0.2 million, respectively. The deferred compensation or unrecognized restricted stock expense under the LTIP as of June 30, 2009 and December 31 2008 was \$2.8 million and \$3.2 million, respectively.

Pursuant to the Non-Employee Directors Plan, each non-employee director of the Company receives an annual award of restricted shares of common stock on the date of the Company's annual meeting of shareholders. The number of

shares granted to each non-employee director is based on the fair market value of a share of common stock on that date. The restricted shares vest ratably on the first through third anniversary of the grant date; however, there is no vesting period on the right to vote or the right to receive dividends on these restricted shares. As of June 30, 2009, there were a total of 104,242 shares awarded and 58,716 shares vested under the Non-Employee Directors Plan. The recognized restricted stock expense for the three months ended June 30, 2009 and 2008 was \$0.1 million and \$0.1 million, respectively, and for the six months ended June 30, 2009 and 2008 was \$0.2 million and \$0.2 million, respectively. The deferred compensation or unrecognized restricted stock expense under the Non-Employee Directors Plan as of June 30, 2009 and December 31, 2008 was \$0.6 million and \$0.4 million, respectively.

On April 1, 2008, the Company's Board of Directors approved the repurchase of up to 1,000,000 shares of its common stock over the period of one year. The program expired on April 1, 2009. The Company did not repurchase any shares of its common stock during the six months ended June 30, 2009.

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In 2009 and 2008, the Company completed a net share settlement for 5,013 and 13,512 restricted shares, respectively, on behalf of some employees that participate in the LTIP upon the vesting of the restricted shares pursuant to the terms of the LTIP. The net share settlement was in connection with taxes incurred on restricted shares that vested and were transferred to the employee during 2009 and/or 2008, creating taxable income for the employee. The Company has agreed to pay these taxes on behalf of the employees in return for the employee returning an equivalent value of restricted shares to the Company. This transaction resulted in a decrease of approximately \$0.1 million and \$0.2 million in 2009 and 2008, respectively, to equity on the consolidated balance sheets as the cash payment of the taxes effectively was a repurchase of the restricted shares granted in previous years.

On February 18, 2009, the Company issued 1.15 million shares of common stock in a public offering and received net proceeds of approximately \$14.9 million, after deducting underwriting commissions and offering costs of approximately \$0.3 million. In addition, in connection with the same public offering, the Company also incurred \$1.2 million of costs associated with the sale of stock by certain selling shareholders.

## Fair Value of Stock Options

The fair value of the stock options used to compute stock-based compensation is the estimated present value at the date of grant using the Black-Scholes option pricing model. The weighted average fair values of options granted during 2009 were \$7.34 per share using the following weighted average assumptions for grants:

	June 30, 2009
Expected volatility	51.95%
Expected dividend yield	0%
Expected life (term)	6 years
Risk-free interest rate	2.29%
Weighted-average exercise price during the year	\$14.36

The following is a summary of transactions pertaining to the stock options:

	Shares	Weighted Average Exercise Price Per Share	Weighted Average Remaining Contractual Term	Aggregate intrinsic Value (in thousands)
Outstanding December 31, 2008	1,474,215	\$ 9.98	5.25 years	\$ 6,808
Granted	27,000	14.36		
Canceled	(21,833 )	15.38		
Exercised	(192,528 )	6.10		2,154
Outstanding June 30, 2009	1,286,854	10.56	4.97 years	13,591
Exercisable as of June 30, 2009	1,077,907	9.96	4.36 years	12,073

As of June 30, 2009, the pre-tax compensation expense for all unvested stock option awards was \$0.7 million. This amount will be expensed over the weighted-average period of approximately 1.8 years.



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The following table presents a summary of stock options outstanding:

Range of Exercise Prices	Stock Options Outstanding			Stock Options Exercisable	
	Shares	Contractual Weighted Average life (years)	Weighted Average Price	Shares	Weighted Exercise Price
\$3.10	489,746	2.54	\$3.10	489,746	\$3.10
\$4.00-\$13.99	271,900	8.07	11.88	138,417	11.79
\$14.00-\$19.99	412,708	5.78	15.20	345,044	14.99
\$20.00-\$25.00	112,500	5.14	22.90	104,700	23.06
	1,286,854	4.97	10.56	1,077,907	9.96

#### 8. INCOME TAXES

The effective tax rate for the three months ended June 30, 2009 and 2008 was 39.9% and 41.5%, respectively, and for the six months ended June 30, 2009 and 2008 was 39.9% and 40.8%, respectively.

#### 9. CONTINGENCIES

In the ordinary conduct of its business, the Company is subject to periodic lawsuits, investigations and claims, including, but not limited to, claims involving students or graduates and routine employment matters. Although the Company cannot predict with certainty the ultimate resolution of lawsuits, investigations and claims asserted against it, the Company does not believe that any currently pending legal proceeding to which it is a party will have a material adverse effect on the Company's business, financial condition, results of operations or cash flows.

#### 10. PENSION PLAN

The Company sponsors a noncontributory defined benefit pension plan covering substantially all of the Company's union employees. Benefits are provided based on employees' years of service and earnings. This plan was frozen on December 31, 1994 for non-union employees. The total amount of the Company's contributions paid under its pension plan was \$0.6 million and \$0 for the three and six months ended June 30, 2009 and 2008, respectively. The net periodic benefit cost was \$245 thousand and \$490 thousand for the three and six months ended June 30, 2009, respectively. The net periodic benefit income was \$17 thousand and \$34 thousand for the three and six months ended June 30, 2008.

#### 11. OTHER ASSETS

The Company acquired 100% of the membership units of Hartford Urban Ventures, LLC, which has a 5% ownership interest in CCI/85 Sigourney, LLC. The Company leases from CCI/85 Sigourney, LLC, under a capital lease, the CCI facility located at 85 Sigourney Street, Hartford, Connecticut. The investment of \$0.3 million is included in other assets in the condensed consolidated balance sheet at June 30, 2009.





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Item 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

The following discussion may contain forward-looking statements regarding us, our business, prospects and our results of operations that are subject to certain risks and uncertainties posed by many factors and events that could cause our actual business, prospects and results of operations to differ materially from those that may be anticipated by such forward-looking statements. Factors that could cause or contribute to such differences include, but are not limited to, those described in the "Risk Factors" section of our Annual Report on Form 10-K for the year ended December 31, 2008, as filed with the Securities and Exchange Commission ("SEC") and in our other filings with the SEC. Readers are cautioned not to place undue reliance on these forward-looking statements, which speak only as of the date of this report. We undertake no obligation to revise any forward-looking statements in order to reflect events or circumstances that may subsequently arise. Readers are urged to carefully review and consider the various disclosures made by us in this report and in our other reports filed with the SEC that advise interested parties of the risks and factors that may affect our business.

The interim financial statements filed on this Form 10-Q and the discussions contained herein should be read in conjunction with the annual financial statements and notes included in our Form 10-K for the year ended December 31, 2008, as filed with the SEC, which includes audited consolidated financial statements for our three fiscal years ended December 31, 2008.

General

We are a leading and diversified provider of career-oriented post-secondary education. We offer recent high school graduates and working adults degree and diploma programs in five areas principal of study: automotive technology, health sciences, skilled trades, business and information technology and hospitality services. Each area of study is specifically designed to appeal to and meet the educational objectives of our student population, while also satisfying the criteria established by industry and employers and state and federal accrediting bodies. We believe that diversification limits our dependence on any one industry for enrollment growth or placement opportunities and broadens our opportunity to introduce new programs. As of June 30, 2009, 26,035 students were enrolled at our 43 campuses across 17 states. Our campuses primarily attract students from their local communities and surrounding areas, although our destination schools attract students from across the United States, and in some cases, from abroad.

Critical Accounting Policies and Estimates

Our discussions of our financial condition and results of operations are based upon our consolidated financial statements, which have been prepared in accordance with accounting principles generally accepted in the United States of America ("GAAP"). The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenues and expenses during the period. On an ongoing basis, we evaluate our estimates and assumptions, including those related to revenue recognition, bad debts, fixed assets, goodwill and other intangible assets, income taxes and certain accruals. Actual results could differ from those estimates. The critical accounting policies discussed herein are not intended to be a comprehensive list of all of our accounting policies. In many cases, the accounting treatment of a particular transaction is specifically dictated by GAAP and does not result in significant management judgment in the application of such principles. There are also areas in which management's judgment in selecting any available alternative would not produce a materially different result from the result derived from the application of our critical accounting policies. We believe that the following accounting policies are most critical to us in that they represent the primary areas where financial information is subject to the application of management's estimates, assumptions and judgment in the preparation of our consolidated financial statements.

Revenue recognition. Revenues are derived primarily from programs taught at our schools. Tuition revenues, textbook sales and one-time fees, such as nonrefundable application fees and course material fees, are recognized on a straight-line basis over the length of the applicable program, which is the period of time from a student's start date through his or her graduation date, including internships or externships that take place prior to graduation. If a student withdraws from a program prior to a specified date, any paid but unearned tuition is refunded. Refunds are calculated and paid in accordance with federal, state and accrediting agency standards. Other revenues, such as tool sales and contract training revenues are recognized as goods are delivered or services are performed. On an individual student basis, tuition earned in excess of cash received is recorded as accounts receivable, and cash received in excess of tuition earned is recorded as unearned tuition.

Allowance for uncollectible accounts. Based upon our experience and judgment, we establish an allowance for uncollectible accounts with respect to tuition receivables. We use an internal group of collectors, augmented by third-party collectors as deemed appropriate, in our collection efforts. In establishing our allowance for uncollectible accounts, we consider, among other things, a student's status (in-school or out-of-school), whether or not additional financial aid funding will be collected from Title IV Programs or other sources, whether or not a student is currently making payments and overall collection history. Changes in trends in any of these areas may impact the allowance for uncollectible accounts. The receivables balances of withdrawn students with delinquent obligations are reserved based on our collection history. Although we believe that our reserves are adequate, if the financial condition of our students deteriorates, resulting in an impairment of their ability to make payments, additional allowances may be necessary, which will result in increased selling, general and administrative expenses in the period such determination is made.

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Our bad debt expense as a percentage of revenues for the three months ended June 30, 2009 and 2008 was 6.7% and 6.5%, respectively, and for the six months ended June 30, 2009 and 2008 was 6.4% and 5.7%, respectively. Our exposure to changes in our bad debt expense could impact our operations. A 1% increase in our bad debt expense as a percentage of revenues for the three months ended June 30, 2009 and 2008 would have resulted in an increase in bad debt expense of \$1.3 million and \$0.9 million, respectively, and for the six months ended June 30, 2009 and 2008 would have resulted in an increase in bad debt expense of \$2.5 million and \$1.7 million, respectively.

Because a substantial portion of our revenues is derived from Title IV programs, any legislative or regulatory action that significantly reduces the funding available under Title IV programs or the ability of our students or schools to participate in Title IV programs could have a material effect on our ability to realize our receivables.

Goodwill. We test our goodwill for impairment annually, or whenever events or changes in circumstances indicate impairment may have occurred, by comparing the fair value of our reporting units to their carrying value. Impairment may result from, among other things, deterioration in the performance of the acquired business, adverse market conditions, adverse changes in applicable laws or regulations, including changes that restrict the activities of the acquired business, and a variety of other circumstances. If we determine that impairment has occurred, we are required to record a write-down of the carrying value and charge the impairment as an operating expense in the period the determination is made. In evaluating the recoverability of the carrying value of goodwill and other indefinite-lived intangible assets, we must make assumptions regarding estimated future cash flows and other factors to determine the fair value of the acquired assets. Changes in strategy or market conditions could significantly impact these judgments in the future and require an adjustment to the recorded balances.

Goodwill represents a significant portion of our total assets. As of June 30, 2009, goodwill represented approximately \$111.9 million, or 33.1%, of our total assets. At December 31, 2008, we tested our goodwill for impairment utilizing a market capitalization approach to estimate the fair value of our individual reporting units and determined that there was no impairment of our goodwill. No events have occurred subsequently that would have required retesting.

Stock-based compensation. We currently account for stock-based employee compensation arrangements in accordance with the provisions of Statement of Financial Accounting Standards (“SFAS”) No. 123R, “Share Based Payment.” We use a fair value-based method of accounting for options as prescribed by SFAS No. 123 “Accounting for Stock-Based Compensation.”

Bonus costs. We accrue the estimated cost of our bonus programs using current financial and statistical information as compared to targeted financial achievements and key performance objectives. Although we believe our estimated liability recorded for bonuses is reasonable, actual results could differ and require adjustment of the recorded balance.

## Effect of Inflation

Inflation has not had a material effect on our operations.

## Recent Accounting Pronouncements

In June 2009, the Financial Accounting Standards Board (“FASB”) issued SFAS No. 168, “The FASB Accounting Standards Codification and the Hierarchy of Generally Accepted Accounting Principles – a replacement of FASB Statement No. 162,” (“SFAS No. 168”). SFAS No. 168 provides for the FASB Accounting Standards Codification (the “Codification”) to become the single official source of authoritative, nongovernmental U.S. GAAP. The Codification did not change GAAP but reorganizes the literature. SFAS No. 168 is effective for interim and annual periods ending after September 15, 2009. The adoption of this standard will have no effect on our consolidated financial statements.

In June 2009, the FASB issued SFAS No. 166, “Accounting for Transfers of Financial Assets – an amendment of FASB Statement No. 140” (“SFAS No. 166”) and SFAS No. 167, “Amendments to FASB Interpretation No. 46(R)” (“SFAS No. 167”). SFAS No. 166 will require more information about transfers of financial assets, eliminates the qualifying special purpose entity (QSPE) concept, changes the requirements for derecognizing financial assets and requires additional disclosures. SFAS No. 167 amends FASB Interpretation No. 46(R), “Consolidation of Variable Interest Entities” regarding certain guidance for determining whether an entity is a variable interest entity and modifies the methods allowed for determining the primary beneficiary of a variable interest entity. In addition, SFAS No. 167 requires ongoing reassessments of whether an enterprise is the primary beneficiary of a variable interest entity and enhanced disclosures related to an enterprise’s involvement in a variable interest entity. SFAS No. 166 and SFAS No. 167 are effective for balance sheets beginning on or after January 1, 2010. The adoption of these standards is not expected to have an effect on our consolidated financial statements.

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In May 2009, the FASB issued SFAS No. 165, "Subsequent Events" ("SFAS No. 165"). SFAS No. 165 establishes general standards of accounting for and disclosure of events that occur after the balance sheet date but before financial statements are issued or are available to be issued. SFAS No. 165 is effective for interim or annual financial periods ending after June 15, 2009. The adoption of this standard had no effect on our consolidated financial statements.

In May 2008, the FASB issued SFAS No. 162, "The Hierarchy of Generally Accepted Accounting Principles," ("SFAS No. 162"). SFAS No. 162 identifies the sources of accounting principles and the framework for selecting the principles used in the preparation of financial statements. SFAS No. 162 was effective for us as of November 15, 2008. The adoption of this standard had no effect on our consolidated financial statements.

In March 2008, the FASB issued SFAS No. 161, "Disclosures about Derivative Instruments and Hedging Activities," ("SFAS No. 161"), an amendment to FASB Statement No. 133. SFAS No. 161 is intended to improve financial standards for derivative instruments and hedging activities by requiring enhanced disclosures to enable investors to better understand their effects on an entity's financial position, financial performance, and cash flows. Entities are required to provide enhanced disclosures about: (a) how and why an entity uses derivative instruments; (b) how derivative instruments and related hedged items are accounted for under SFAS No. 133 and its related interpretations; and (c) how derivative instruments and related hedged items affect an entity's financial position, financial performance, and cash flows. SFAS No. 161 was effective for us as of January 1, 2009. The adoption of the provisions of SFAS No. 161 had no effect on our consolidated financial statements.

In December 2007, the FASB issued SFAS No. 141R, "Business Combinations" ("SFAS No. 141R"). SFAS No. 141R establishes revised principles and requirements for how we will recognize and measure assets and liabilities acquired in a business combination. SFAS No. 141R requires, among other things, transaction costs incurred in a business combination to be expensed, establishes a new measurement date for valuing acquirer shares issued in consideration for a business combination, and includes the recognition of contingent consideration and pre-acquisition gain and loss contingencies. SFAS No. 141R was effective for our business combinations completed on or after January 1, 2009. For the six months ended June 30, 2009, we incurred approximately \$1.3 million of expenses related to the adoption of SFAS No. 141R.

In December 2007, the FASB issued SFAS No. 160, "Noncontrolling Interests in Consolidated Financial Statements, an amendment of Accounting Research Bulletin ("ARB") No. 51" ("SFAS No. 160"). SFAS No. 160 establishes accounting and reporting standards for the noncontrolling interest in a subsidiary and for the deconsolidation of a subsidiary. SFAS No. 160 was effective for us as of January 1, 2009. The adoption of the provision of SFAS No. 160 had no effect on our consolidated financial statements.

## Results of Operations

Certain reported amounts in our analysis have been rounded for presentation purposes.

The following table sets forth selected consolidated statements of operations data as a percentage of revenues for each of the periods indicated:

	Three Months Ended				Six Months Ended			
	June 30,		2008		June 30,		2008	
	2009	%	2008	%	2009	%	2008	%
Revenues	100.0	%	100.0	%	100.0	%	100.0	%
Costs and expenses:								
Educational services and facilities	39.9	%	42.2	%	40.3	%	42.9	%
Selling, general and administrative	49.6	%	54.6	%	49.9	%	54.8	%

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Total costs and expenses	89.5	%	96.8	%	90.2	%	97.7	%
Operating income	10.5	%	3.2	%	9.8	%	2.3	%
Interest expense, net	-0.9	%	-0.7	%	-0.8	%	-0.6	%
Income before income taxes	9.6	%	2.5	%	9.0	%	1.7	%
Provision for income taxes	3.8	%	1.0	%	3.6	%	0.7	%
Net income	5.8	%	1.5	%	5.4	%	1.0	%

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Three Months Ended June 30, 2009 Compared to Three Months Ended June 30, 2008

Revenues. Revenues increased by \$43.1 million, or 50.6%, to \$128.1 million for the quarter ended June 30, 2009 from \$85.1 million for the quarter ended June 30, 2008. Approximately \$13.3 million, or 31.0%, of this increase was a result of our acquisitions of Briarwood College on December 1, 2008, six of the seven schools comprising Baran Institute of Technology (“BAR”) on January 20, 2009 and Clemens College (“Clemens”) on April 20, 2009 (the “Acquisitions”). Excluding the Acquisitions, the increase in revenues was primarily attributable to a 28.8% increase in average student population, which increased to 23,877 for the quarter ended June 30, 2009 from 18,540 for the quarter ended June 30, 2008. Average revenue per student on a same school basis increased 4.8% for the quarter ended June 30, 2009 from the quarter ended June 30, 2008 primarily from tuition increases which ranged from 3% to 5% annually and by a shift in student population to students enrolled in higher tuition programs. For a general discussion of trends in our student enrollment, see “Seasonality and Trends” below.

Educational services and facilities expenses. Our educational services and facilities expenses increased by \$15.2 million, or 42.3%, to \$51.1 million for the quarter ended June 30, 2009 from \$35.9 million for the quarter ended June 30, 2008. The Acquisitions accounted for \$8.2 million, or 53.9%, of this increase. Excluding the Acquisitions, the increase in educational services and facilities expenses was primarily due to instructional expenses which increased by \$4.1 million, or 21.1%, and books and tools expenses, which increased by \$2.0 million, or 49.2%, respectively, over the same quarter in 2008. This increase was attributable to a 33.0% increase in student starts for the second quarter of 2009 as compared to the second quarter of 2008 and the overall increase in student population and higher tool sales during the second quarter of 2009 compared to the second quarter of 2008. On a same school basis, we began the second quarter of 2009 with approximately 4,500 more students than we had on April 1, 2008, and as of June 30, 2009 our population on a same school basis was approximately 5,400 higher than as of June 30, 2008. The remainder of the increase was due to facilities expenses, which increased by approximately \$0.9 million over the same quarter in 2008. This increase was attributable to: (a) a \$0.4 million increase in rent expense resulting from the expansion of our Melrose Park, Illinois and Vine Street, Ohio campuses, our new campus in Toledo, Ohio and lease extensions at our existing campuses; (b) a \$0.2 million increase in repairs and maintenance costs due to higher common area charges relating to our lease expansions and new locations; and (c) a \$0.3 million increase in real-estate taxes due to additional campus space as well as annual property value and tax rate increases. Educational services and facilities expenses as a percentage of revenues decreased to 39.9% for the second quarter of 2009 from 42.2% for the second quarter of 2008.

Selling, general and administrative expenses. Our selling, general and administrative expenses for the quarter ended June 30, 2009 were \$63.6 million, an increase of \$17.1 million, or 36.9%, from \$46.4 million for the quarter ended June 30, 2008. Approximately \$7.4 million, or 43.3%, of this increase was attributable to the Acquisitions. Excluding the Acquisitions, the increase in our selling, general and administrative expenses for the quarter ended June 30, 2009 was primarily due to: (a) a \$0.6 million, or 14.4%, increase in student services; (b) a \$1.5 million, or 8.4%, increase in sales and marketing; and (c) a \$7.7 million, or 30.8%, increase in administrative expenses as compared to the quarter ended June 30, 2008.

The increase in student services was primarily due to annual increases in compensation and benefit expenses to our financial aid and career services personnel as well as an overall increase in the number of financial aid and career services personnel as a result of the larger student population during the second quarter of 2009 as compared to the second quarter of 2008.

The increase in sales and marketing expense was due to: (a) annual compensation increases to sales representatives; (b) the hiring of additional sales representatives to support our current and future growth; and (c) increased call center support as compared to the second quarter of 2008. In addition, we continued to invest in our marketing initiatives in an effort to continue to grow our student population.

The increase in administrative expenses during the second quarter of 2009 as compared to the second quarter of 2008 was primarily due to: (a) a \$3.0 million increase in personnel costs, relating to annual compensation increases, increased number of personnel associated with the opening of our new Toledo, Ohio campus as well as our higher student population during the quarter ended June 30, 2009 as compared to the second quarter of 2008, increased accruals for incentive compensation and increased cost of benefits provided to employees; (b) a \$2.4 million increase in bad debt expense; (c) \$0.5 million of legal costs; (d) a \$0.2 million increase in software maintenance expenses resulting from increased software licenses for our student management system; (e) \$0.3 million incurred due to the re-branding of our Florida Culinary Institute in West Palm Beach, Florida; (f) \$0.3 million related to repairs and maintenance of equipment and general administrative supplies; and (g) \$0.5 million of costs incurred related to our acquisition of BAR expensed in accordance with SFAS No. 141R. As a percentage of revenues, selling, general and administrative expenses for the second quarter of 2009 decreased to 49.6% from 54.6% for the second quarter of 2008.

For the quarter ended June 30, 2009, including the Acquisitions, our bad debt expense as a percentage of revenue was 6.7% as compared to 6.5% for the same quarter in 2008. This increase was primarily attributable to higher accounts receivable due to an increase of 28.8% in average student population for the second quarter of 2009 as compared to the second quarter of 2008. The number of days sales outstanding at June 30, 2009 decreased to 22.7 days, compared to 26.4 days at June 30, 2008. This decrease is primarily attributable to our program to centralize the back office administration of our financial aid department in an effort to improve the effectiveness and timeliness of our financial aid processing. As of June 30, 2009, we had outstanding loan commitments to our students of \$24.6 million as compared to \$23.6 million at March 31, 2009 and \$24.8 million at December 31, 2008. Loan commitments, net of interest that would be due on the loans through maturity, were \$17.0 million at June 30, 2009 as compared to \$16.2 million at March 31, 2009 and \$17.0 million at December 31, 2008.



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Net interest expense. Our net interest expense for the quarter ended June 30, 2009 was \$1.1 million, an increase of \$0.5 million from \$0.6 million for the quarter ended June 30, 2008. This increase of \$0.5 million is attributable to real estate capital leases assumed in connection with the Acquisitions.

Income taxes. Our provision for income taxes for the quarter ended June 30, 2009 was \$4.9 million, or 39.9% of pretax income, compared to \$0.9 million, or 41.5% of pretax income for the quarter ended June 30, 2008. The decrease in our effective tax rate for the quarter ended June 30, 2009 was primarily attributable to a change in the mix in state taxable income among various states.

Six Months Ended June 30, 2009 Compared to Six Months Ended June 30, 2008

Revenues. Revenues increased by \$77.6 million, or 45.9%, to \$246.7 million for the six months ended June 30, 2009 from \$169.1 million for the six months ended June 30, 2008. The Acquisitions accounted for approximately \$24.9 million, or 32.1%, of this increase. Excluding the Acquisitions, the increase in revenues was primarily attributable to a 25.6% increase in average student population, which increased to 23,237 for the six months ended June 30, 2009 from 18,499 for the six months ended June 30, 2008. Average revenue per student on a same school basis increased 4.4% for the six months ended June 30, 2009 from the six months ended June 30, 2008 primarily from tuition increases which ranged from 3% to 5% annually and by a shift in student population to students enrolled in higher tuition programs. For a general discussion of trends in our student enrollment, see "Seasonality and Trends" below.

Educational services and facilities expenses. Our educational services and facilities expenses increased by \$26.9 million, or 37.0%, to \$99.4 million for the six months ended June 30, 2009 from \$72.6 million for the six months ended June 30, 2008. The Acquisitions accounted for \$14.6 million, or 54.3%, of this increase. Excluding the Acquisitions, the increase in educational services and facilities expenses was primarily due to instructional expenses which increased by \$6.8 million, or 17.5%, and books and tools expenses, which increased by \$3.9 million, or 46.2%, respectively, over the same period in 2008. This increase was attributable to a 34.1% increase in student starts for the six months ended June 30, 2009 as compared to the same period in 2008 and the overall increase in student population and higher tool sales during the six months ended June 30, 2009 compared to the same period in 2008. On a same school basis, we began 2009 with approximately 3,000 more students than we had on January 1, 2008, and as of June 30, 2009, our population on a same school basis was approximately 5,400 higher than as of June 30, 2008. The remainder of the increase was due to facilities expenses, which increased by approximately \$1.5 million over the same period in 2008. This increase was attributable to: (a) a \$0.6 million increase in rent expense resulting from the expansion of our Melrose Park, Illinois and Vine Street, Ohio campuses, our new campus in Toledo, Ohio and lease extensions at our existing campuses; (b) a \$0.6 million increase in repairs and maintenance costs due to higher common area charges relating to our lease expansions and new locations; and (c) a \$0.4 million increase in real-estate taxes due to additional campus space as well as annual property value and tax rate increases. Educational services and facilities expenses as a percentage of revenues decreased to 40.3% from 42.9% for the six months ended June 30, 2009 compared to the same period in 2008.

Selling, general and administrative expenses. Our selling, general and administrative expenses for the six months ended June 30, 2009 were \$123.2 million, an increase of \$30.6 million, or 33.1%, from \$92.6 million for the quarter ended June 30, 2008. Approximately \$13.8 million, or 45.1%, of this increase was attributable to the Acquisitions. Excluding the Acquisitions, the increase in our selling, general and administrative expenses for the quarter ended June 30, 2009 was primarily due to: (a) a \$1.2 million, or 15.3%, increase in student services; (b) a \$2.9 million, or 8.2%, increase in sales and marketing; and (c) a \$12.7 million, or 25.6%, increase in administrative expenses as compared to the same period in 2008.

The increase in student services was primarily due to annual increases in compensation and benefit expenses to our financial aid and career services personnel as well as an overall increase in the number of financial aid and career services personnel as a result of the larger student population during the six months ended June 30, 2009 as compared to the same period in 2008.

The increase in sales and marketing expense was due to: (a) annual compensation increases to sales representatives; (b) the hiring of additional sales representatives to support our current and future growth; and (c) increased call center support as compared to the same period in 2008. In addition, we continued to invest in marketing initiatives in an effort to continue to grow our student population.

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The increase in administrative expenses during the six months ended June 30, 2009 as compared to the same period in 2008 was primarily due to: (a) a \$5.3 million increase in personnel costs, relating to annual compensation increases, increased number of personnel associated with the opening of our new Toledo, Ohio campus as well as our higher student population during the six months ended June 30, 2009 as compared to the same period in 2008, increased accruals for incentive compensation and increased cost of benefits provided to employees; (b) a \$4.4 million increase in bad debt expense; (c) \$0.5 million of legal costs; (d) a \$0.4 million increase in software maintenance expenses resulting from increased software licenses for our student management system; (e) \$0.3 million incurred due to the re-branding of our Florida Culinary Institute in West Palm Beach, Florida; (f) \$1.3 million of costs incurred related to our acquisition of BAR expensed in accordance with SFAS No. 141R; and (g) \$0.4 million related to repairs and maintenance of equipment and general administrative supplies. As a percentage of revenues, selling, general and administrative expenses for the six months ended June 30, 2009 decreased to 49.9% from 54.8% for the same period in 2008.

For the six months ended June 30, 2009, including the Acquisitions, our bad debt expense as a percentage of revenue was 6.4% as compared to 5.7% for the same period in 2008. This increase was primarily attributable to higher accounts receivable due to an increase of 25.6% in average student population for the six months ended June 30, 2009 as compared to the same period in 2008. The number of days sales outstanding at June 30, 2009 decreased to 23.5 days, compared to 26.6 days at June 30, 2008. This decrease is primarily attributable to our program to centralize the back office administration of our financial aid department in an effort to improve the effectiveness and timeliness of our financial aid processing.

Net interest expense. Our net interest expense for the six months ended June 30, 2009 was \$2.1 million, an increase of \$1.1 million, from \$1.0 million for the same period in 2008. This increase of \$1.1 million is attributable to real estate capital leases assumed in connection with the Acquisitions.

Income taxes. Our provision for income taxes for the six months ended June 30, 2009 was \$8.8 million, or 39.9% of pretax income, compared to \$1.2 million, or 40.8% of pretax income for the same period in 2008. The decrease in our effective tax rate for the quarter ended June 30, 2009 was primarily attributable to a change in the mix in state taxable income among various states.

## Liquidity and Capital Resources

Our primary capital requirements are for facility expansion and maintenance, acquisitions and the development of new programs. Our principal sources of liquidity have been cash provided by operating activities and borrowings under our credit agreement.

The following chart summarizes the principal elements of our cash flows:

	Six Months Ended June 30,	
	2009	2008
	(In thousands)	
Net cash provided by operating activities	\$ 9,832	\$ 8,357
Net cash used in investing activities	\$ (32,913)	\$ (12,560)
Net cash provided by financing activities	\$ 20,485	\$ 9,592

At June 30, 2009, we had \$12.6 million in cash and cash equivalents, representing a decrease of approximately \$2.6 million as compared to \$15.2 million as of December 31, 2008. Historically, we have financed our operating activities and organic growth primarily through cash generated from operations. We have financed acquisitions primarily through borrowings under our credit agreement and cash generated from operations. During the first six months of 2009, we borrowed \$44.0 million to finance our acquisition of BAR and to finance our working capital needs and subsequently repaid \$39.0 million. We currently anticipate that we will be able to meet both our short-term cash needs, as well as our need to fund operations and meet our obligations beyond the next twelve months with cash generated by operations, existing cash balances and, if necessary, borrowings under our credit agreement. In February 2009, we sold common stock in a public offering and received net proceeds of approximately \$14.9 million. The proceeds of this offering were used to repay borrowings under our credit agreement. In addition, we may also consider accessing the financial markets in the future as a source of liquidity for capital requirements, acquisitions and general corporate purposes to the extent such requirements are not satisfied by cash on hand, borrowings under our credit agreement or operating cash flows. However, we cannot assure you that we will be able to raise additional capital on favorable terms, if at all. At June 30, 2009, we had net borrowings available under our \$100 million credit agreement of approximately \$89.4 million, including a \$14.4 million sub-limit on letters of credit. The credit agreement terminates on February 15, 2010. We intend to refinance our credit agreement prior to the maturity date; however we cannot assure you that we will be able to do so or that any refinancing would be on terms favorable to us.

Our primary source of cash is tuition collected from our students. The majority of students enrolled at our schools rely on funds received under various government-sponsored student financial aid programs to pay a substantial portion of their tuition and other education-related expenses. The largest of these programs are Title IV Programs which represented approximately 79% of our cash receipts relating to revenues in 2008. Students must apply for a new loan for each academic period. Federal regulations dictate the timing of disbursements of funds under Title IV Programs and loan funds are generally provided by lenders in two disbursements for each academic year. The first disbursement is usually received approximately 31 days after the start of a student's academic year and the second disbursement is typically received at the beginning of the sixteenth week from the start of the student's academic year. Certain types of grants and other funding are not subject to a 30-day delay. Our programs range from 14 to 102 weeks. In certain instances, if a student withdraws from a program prior to a specified date, any paid but unearned tuition or prorated Title IV financial aid is refunded according to state and federal regulations.

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As a result of the significance of the Title IV funds received by our students, we are highly dependent on these funds to operate our business. Any reduction in the level of Title IV funds that our students are eligible to receive or any impact on our ability to be able to receive Title IV funds would have a significant impact on our operations and our financial condition. See “Risk Factors” in Item 1A, included in our Annual Report on Form 10-K for the year ended December 31, 2008.

## Cash Flow Operating Activities

Net cash provided by operating activities was \$9.8 million for the six months ended June 30, 2009 compared to \$8.4 million for the six months ended June 30, 2008. The \$1.4 million increase in net cash provided by operating activities was primarily due to an increase in net income of approximately \$11.5 million and an increase in other working capital items offset by \$11.8 million of higher tax payments during the six months ended June 30, 2009 as compared to the six months ended June 30, 2008.

## Cash Flow Investing Activities

Net cash used in investing activities increased by \$20.4 million to \$32.9 million for the six months ended June 30, 2009 from \$12.6 million for the six months ended June 30, 2008. This increase was primarily attributable to a \$27.6 million increase in cash used towards the BAR and Clemens acquisitions offset by a \$6.7 million decrease in capital expenditures for the quarter ended June 30, 2009 as compared to the same quarter of 2008. Our capital expenditures primarily resulted from facility expansion, leasehold improvements, and investments in classroom and shop technology.

Capital expenditures are expected to continue to increase in the remainder of 2009 as we upgrade and expand current equipment and facilities or open new facilities to meet increased student enrollments. We anticipate capital expenditures to approximate 5% of revenues in 2009 and expect to fund these capital expenditures with cash generated from operating activities and, if necessary, with borrowings under our credit agreement.

## Cash Flow Financing Activities

Net cash provided by financing activities was \$20.5 million for the six months ended June 30, 2009, as compared to \$9.6 million for the six months ended June 30, 2008. This increase of \$10.9 million was primarily due to \$14.9 million received from the Company’s sale of common stock in a public offering during the six months ended June 30, 2009 as compared to \$6.4 million in repurchases of our common stock during the six months ended June 30, 2008, offset by \$11.0 million decrease in net borrowings under our credit agreement.

Under the terms of our credit agreement, the lending syndicate provided us with a \$100 million credit facility for a term of five years which terminates in February 2010. The credit agreement permits the issuance of letters of credit of up to \$20 million, the amount of which reduces the availability of permitted borrowings under the agreement.

The following table sets forth our long-term debt (in thousands):

	June 30, 2009	December 31, 2008
Credit agreement	\$ 5,000	\$ -
Finance obligation	9,672	9,672
Notes payable (with rates ranging from 6.8% to 7.8%)	187	-
Capital lease-property	27,311	-

Capital leases-equipment (with a rate of 8.5%)	433	502
Subtotal	42,603	10,174
Less current maturities	(5,502 )	(130 )
Total long-term debt	\$ 37,101	\$ 10,044

See Note 6 to our unaudited condensed consolidated financial statements for more information regarding our long term debt and lease obligations.

#### Contractual Obligations

Long-term Debt. As of June 30, 2009, our long term debt consisted of amounts borrowed under our credit agreement, the finance obligation in connection with our sale-leaseback transaction in 2001, notes payable, and amounts due under capital lease obligations.

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Lease Commitments. We lease offices, educational facilities and equipment for varying periods through the year 2023 at base annual rentals (excluding taxes, insurance, and other expenses under certain leases).

The following table contains supplemental information regarding our total contractual obligations as of June 30, 2009, measured from the end of our fiscal year, December 31, 2008 (in thousands):

	Total	Payments Due by Period			After 5 years
		Less than 1 year	2-3 years	4-5 years	
Credit agreement	\$ 5,000	\$ 5,000	\$ -	\$ -	\$ -
Capital leases (including interest)	61,531	2,471	5,186	5,083	48,791
Notes payable (including interest)	198	172	26	-	-
Operating leases	161,307	19,841	35,907	32,570	72,989
Rent on finance obligation	10,693	1,426	2,852	2,852	3,563
Total contractual cash obligations	\$ 238,729	\$ 28,910	\$ 43,971	\$ 40,505	\$ 125,343

## Off-Balance Sheet Arrangements

We had no off-balance sheet arrangements as of June 30, 2009, except for our letters of credit of \$5.6 million which are primarily comprised of letters of credit for the DOE and security deposits in connection with certain of our real estate leases. These off-balance sheet arrangements do not adversely impact our liquidity or capital resources.

## Seasonality and Trends

Our net revenues and operating results normally fluctuate as a result of seasonal variations in our business, principally due to changes in total student population. Student population varies as a result of new student enrollments, graduations and student attrition. Historically, our schools have had lower student populations in our first and second quarters and we have experienced large class starts in the third and fourth quarters and student attrition in the first half of the year. Our second half growth is largely dependent on a successful high school recruiting season. We recruit our high school students several months ahead of their scheduled start dates, and thus, while we have visibility on the number of students who have expressed interest in attending our schools, we cannot predict with certainty the actual number of new student enrollments and the related impact on revenue. Our expenses, however, do not vary significantly over the course of the year with changes in our student population and net revenues. During the first half of the year, we make significant investments in marketing, staff, programs and facilities to ensure that we meet our second half of the year targets and, as a result, such expenses do not fluctuate significantly on a quarterly basis. To the extent new student enrollments, and related revenues, in the second half of the year fall short of our estimates, our operating results could suffer. We expect quarterly fluctuations in operating results to continue as a result of seasonal enrollment patterns. Such patterns may change as a result of new school openings, new program introductions, and increased enrollments of adult students and/or acquisitions.

As a result of soft organic enrollment trends that we had experienced in prior years, we instituted numerous initiatives to strengthen our internal operations. These initiatives, coupled with the counter cyclicity of our programs which thrive during a weak economy, have now produced:

- Eleven consecutive quarters of positive student start growth
- Eight consecutive quarters of enrollment growth

- 34.1% student start growth for the six months ended June 30, 2009.
- Approximately 3,000 more students on a same school basis entering 2009 than we had on January 1, 2008. Because our revenue stream is closely related to our enrollments, we believe that this will result in meaningful revenue and net income growth in 2009.

Item 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

We are exposed to certain market risks as part of our on-going business operations. We have a credit agreement with a syndicate of banks. Our obligations under the credit agreement are secured by a lien on substantially all of our assets and our subsidiaries and any assets that we or our subsidiaries may acquire in the future, including a pledge of substantially all of our subsidiaries' common stock. Outstanding borrowings bear interest at the rate of adjusted LIBOR plus 1.0% to 1.75%, as defined, or a base rate (as defined in the credit agreement). As of June 30, 2009, we had \$5.0 million outstanding borrowings under our credit agreement. The interest rate under this borrowing was 1.32% at June 30, 2009.



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Based on our outstanding borrowings, a change of one percent in the interest rate would cause a change in our interest expense of approximately \$0.1 million, or less than \$0.01 per basic share, on an annual basis. Changes in interest rates could have an impact on our operations, which are greatly dependent on students' ability to obtain financing. Increases in interest rates could greatly impact our ability to attract students and have an adverse impact on the results of our operations.

The remainder of our interest rate risk is associated with miscellaneous capital equipment leases and notes payable, which are not significant.

## Item 4. CONTROLS AND PROCEDURES

(a) Evaluation of disclosure controls and procedures. Our Chief Executive Officer and Chief Financial Officer, after evaluating the effectiveness of our disclosure controls and procedures (as defined in Securities Exchange Act Rule 13a-15(e)) as of the end of the quarterly period covered by this report, have concluded that our disclosure controls and procedures are adequate and effective to reasonably ensure that material information required to be disclosed by us in the reports that we file or submit under the Exchange Act is recorded, processed, summarized and reported within the time periods specified by Securities and Exchange Commissions' Rules and Forms and that such information is accumulated and communicated to our management, including our Chief Executive Officer and Chief Financial Officer, as appropriate, to allow timely decisions regarding required disclosure.

(b) Changes in Internal Control Over Financial Reporting. There were no changes made during our most recently completed fiscal quarter in our internal control over financial reporting that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

## PART II. OTHER INFORMATION

## Item 1. LEGAL PROCEEDINGS

In the ordinary conduct of our business, we are periodically subject to lawsuits, investigations and claims, including, but not limited to, claims involving students or graduates and routine employment matters. Although we cannot predict with certainty the ultimate resolution of lawsuits, investigations and claims asserted against us, we do not believe that any currently pending legal proceeding to which we are a party will have a material adverse effect on our business or financial condition, results of operations or cash flows.

## Item 4. SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS

At our annual meeting held on April 30, 2009, the shareholders voted to approve all of management's proposals as follows:

1. For the election of ten directors to hold office until our next annual meeting, the voting for each nominee was:

	Votes For	Votes Withheld
Peter S. Burgess	24,981,557	393,260
James J. Burke, Jr.	20,781,768	4,593,049
David F. Carney	24,936,551	438,266
Celia H. Currin	24,981,557	393,260
Paul E. Glaske	21,973,159	3,401,658
Charles F. Kalmbach	21,982,658	3,392,159

Shaun E. McAlmont	24,905,232	469,585
Alexis P. Michas	21,158,795	4,216,022
J. Barry Morrow	25,011,313	363,504
Jerry G. Rubenstein	25,010,092	364,725

2. For the amendment of the Company's 2005 Non-Employee Directors Restricted Stock Plan:

Votes

Votes For	Against	Abstained	Not Voted
19,874,933	3,948,783	385,457	1,165,644

3. For ratifying the appointment of Deloitte & Touche LLP as our independent registered public accounting firm for our fiscal year ending December 31, 2009:

Votes

Votes For	Against	Abstained
24,685,098	3,292	5,450

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Item 6. EXHIBITS

EXHIBIT INDEX

The following exhibits are filed with or incorporated by reference into this Form 10-Q.

Exhibit

Number Description

3.1	Amended and Restated Certificate of Incorporation of the Company (1).
3.2	Amended and Restated By-laws of the Company (2).
4.1	Stockholders' Agreement, dated as of September 15, 1999, among Lincoln Technical Institute, Inc., Back to School Acquisition, L.L.C. and Five Mile River Capital Partners LLC (1).
4.2	Letter agreement, dated August 9, 2000, by Back to School Acquisition, L.L.C., amending the Stockholders' Agreement (1).
4.3	Letter agreement, dated August 9, 2000, by Lincoln Technical Institute, Inc., amending the Stockholders' Agreement (1).
4.4	Management Stockholders Agreement, dated as of January 1, 2002, by and among Lincoln Technical Institute, Inc., Back to School Acquisition, L.L.C. and the Stockholders and other holders of options under the Management Stock Option Plan listed therein (1).
4.5	Assumption Agreement and First Amendment to Management Stockholders Agreement, dated as of December 20, 2007, by and among Lincoln Educational Services Corporation, Lincoln Technical Institute, Inc., Back to School Acquisition, L.L.C. and the Management Investors parties therein (6).
4.6	Registration Rights Agreement between the Company and Back to School Acquisition, L.L.C. (2).
4.7	Specimen Stock Certificate evidencing shares of common stock (1).
10.1	Credit Agreement, dated as of February 15, 2005, among the Company, the Guarantors from time to time parties thereto, the Lenders from time to time parties thereto and Harris Trust and Savings Bank, as Administrative Agent (1).
10.2	Amended and Restated Employment Agreement, dated as of February 1, 2007, between the Company and David F. Carney (3).
10.3	Amendment to Amended and Restated Employment Agreement, dated as of January 14, 2009, between the Company and David F. Carney (8).
10.4	Separation and Release Agreement, dated as of October 15, 2007, between the Company and Lawrence E. Brown (4).
10.5	Amended and Restated Employment Agreement, dated as of February 1, 2007, between the Company and Scott M. Shaw (3).

- 10.6 Amendment to Amended and Restated Employment Agreement, dated as of January 14, 2009, between the company and Scott M. Shaw (8).
- 10.7 Amended and Restated Employment Agreement, dated as of February 1, 2007, between the Company and Cesar Ribeiro (3).
- 10.8 Amendment to Amended and Restated Employment Agreement, dated as of January 14, 2009, between the company and Cesar Ribeiro (8).

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10.9	Amended and Restated Employment Agreement, dated as of February 1, 2007, between the Company and Shaun E. McAlmont (3).
10.10	Amendment to Amended and Restated Employment Agreement, dated as of January 14, 2009, between the company and Shaun E. McAlmont (8).
10.11	Lincoln Educational Services Corporation 2005 Long Term Incentive Plan (1).
10.12	Lincoln Educational Services Corporation 2005 Non Employee Directors Restricted Stock Plan (1).
10.13	Lincoln Educational Services Corporation 2005 Deferred Compensation Plan (1).
10.14	Lincoln Technical Institute Management Stock Option Plan, effective January 1, 2002 (1).
10.15	Form of Stock Option Agreement, dated January 1, 2002, between Lincoln Technical Institute, Inc. and certain participants (1).
10.16	Form of Stock Option Agreement under our 2005 Long Term Incentive Plan (7).
10.17	Form of Restricted Stock Agreement under our 2005 Long Term Incentive Plan (7).
10.18	Management Stock Subscription Agreement, dated January 1, 2002, among Lincoln Technical Institute, Inc. and certain management investors (1).
10.19	Stockholder's Agreement among Lincoln Educational Services Corporation, Back to School Acquisition L.L.C., Steven W. Hart and Steven W. Hart 2003 Grantor Retained Annuity Trust (2).
10.20	Stock Purchase Agreement, dated as of March 30, 2006, among Lincoln Technical Institute, Inc., and Richard I. Gouse, Andrew T. Gouse, individually and as Trustee of the Carolyn Beth Gouse Irrevocable Trust, Seth A. Kurn and Steven L. Meltzer (5).
10.21	Stock Purchase Agreement, dated as of January 20, 2009, among Lincoln Technical Institute, Inc., NN Acquisition, LLC, Brad Baran, Barbara Baran, UGP Education Partners, LLC, UGPE Partners Inc. and Merion Investment Partners, L.P (8).
10.22	Stock Purchase Agreement, dated as of January 20, 2009, among Lincoln Technical Institute, Inc., NN Acquisition, LLC, Brad Baran, Barbara Baran, UGP Education Partners, LLC, Merion Investment Partners, L.P. and, for certain limited purposes only, UGPE Partners Inc (8).
<u>31.1</u> *	Certification of President & Chief Executive Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
<u>31.2</u> *	Certification of Chief Financial Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
<u>32</u> *	Certification of President & Chief Executive Officer and Chief Financial Officer pursuant to 18 U.S.C. 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.

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(1) Incorporated by reference to the Company's Registration Statement on Form S-1 (Registration No. 333-123664).

- (2) Incorporated by reference to the Company's Form 8-K dated June 28, 2005.
- (3) Incorporated by reference to the Company's Form 10-K for the year ended December 31, 2006.
- (4) Incorporated by reference to the Company's Form 8-K dated October 15, 2007.
- (5) Incorporated by reference to the Company's Form 10-Q for the quarterly period ended March 31, 2006.
- (6) Incorporated by reference to the Company's Registration Statement on Form S-3 (Registration No. 333-148406).
- (7) Incorporated by reference to the Company's Form 10-K for the year ended December 31, 2007.
- (8) Incorporated by reference to the Company's Form 10-K for the year ended December 31, 2008.

\* Filed herewith.

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SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned hereunto duly authorized.

LINCOLN EDUCATIONAL SERVICES  
CORPORATION

Date: August 5, 2009

By: /s/ Cesar Ribeiro  
Cesar Ribeiro  
Chief Financial Officer  
(Duly Authorized Officer, Principal Accounting  
and Financial Officer)