

Career Education Corp. Shares Plunge, CEO Out

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Tallahassee, FL 11/1/11 ([StreetBeat](#)) --Shares of Career Education Corp. ([NASDAQ: CECO](#)) are getting hammered, falling more than 40% after the for-profit school's chief executive resigned and the company reported weaker-than-expected third-quarter results.

Career Education Corp. on Tuesday said that CEO Gary McCullough has resigned. The company also reported its latest quarterly financials, which fell short of analysts' expectations, as enrollment shrank.

Career Education and other operators of for-profit colleges have come under increasing scrutiny about their aggressive recruitment practices, low job-placement rates for graduates and other business policies. Some in Congress, including Sen. Tom Harkin, an Iowa Democrat, have criticized students' heavy debt loads and low graduation rates.

The schools offer programs that train older and other non-traditional students in fields ranging from mechanical engineering and hospitality management.

The Schaumburg, Ill.-based company did not provide a reason for McCullough's resignation other than a comment from Chairman Steven Lesnik that because of the "complexities of the regulatory environment and other issues that have arisen over the last year" the company is "moving towards a new phase and the board views it as the appropriate time to start the process of putting in place fresh leadership at the CEO level."

One pressing issue is complying with a subpoena from New York's attorney general in that office's investigation of whether Career Education schools violated consumer-protection laws. Career Education says it is cooperating with the investigation.

Lesnik will serve as CEO while a search for a replacement is under way, the company said.

Career Education also reported its latest financials on Tuesday..

The company's net income was \$10.6 million, or 14 cents per share, versus \$26.1 million, or 33 cents per share, in the year-ago period. Analysts had expected 34 cents per share, according to FactSet. Revenue fell to \$431.3 million, from \$524.1 million in the year-ago period. Analysts had expected \$455.5 million, according to FactSet. The company's total student population shrank to 104,000, from 118,000 a year ago.

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