

CAPELLA EDUCATION CO

FORM 8-K (Current report filing)

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Address	225 SOUTH 6TH STREET 9TH FLOOR MINNEAPOLIS, MN 55402
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Industry	Schools
Sector	Services
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**UNITED STATES
SECURITIES AND EXCHANGE COMMISSION**

Washington, D.C. 20549

FORM 8-K

CURRENT REPORT

Pursuant to Section 13 or 15(d) of the
Securities Exchange Act of 1934

Date of Report (Date of earliest event reported) September 30, 2011

Capella Education Company

(Exact name of Registrant as specified in its charter)

Minnesota
(State or other jurisdiction
of incorporation)

001-33140
(Commission
File Number)

41-1717955
(IRS Employer
Identification No.)

Capella Tower
225 South 6th Street, 9th Floor
Minneapolis, Minnesota
(Address of principal executive offices)

55402
(Zip Code)

Registrant's telephone number, including area code (888) 227-3552

Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions (*see* General Instruction A.2. below):

- Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)
- Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)
- Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))
- Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))
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Item 1.01 Entry into a Material Definitive Agreement.

On September 30, 2011, we entered into a credit agreement with Bank of America, N.A., and certain other lenders (the “Credit Agreement”). The key terms of the Credit Agreement are summarized below.

Borrower:	Capella Education Company (“ <u>Borrower</u> ”)
Guarantor:	Capella University, Inc. (“ <u>Guarantor</u> ”) and certain subsidiaries may guaranty in the future
Administrative Agent:	Bank of America, N.A. (“ <u>Agent</u> ”)
Arranger:	Merrill Lynch, Pierce, Fenner & Smith (“ <u>Arranger</u> ”)
Type of Facility:	Revolving Credit
Principal Amount:	Up to \$100,000,000, with an increase option to up to \$150,000,000
Maturity Date:	Five years from the closing date
Interest Rate:	At Borrower’s election (i) LIBOR plus an applicable rate of 1.75%-2.25% based on the Borrower’s consolidated leverage ratio or (ii) a base rate (defined as the highest of (a) the federal funds rate plus ¹ / ₂ of 1%, (b) the BoA prime rate, and (c) one-month LIBOR plus 1.00%) plus an applicable rate of .75%-1.25% based on the Borrower’s consolidated leverage ratio
Fees:	<ul style="list-style-type: none">• Commitment Fee of .30%-.40% per annum based on consolidated leverage ratio of the Borrower, charged on the unused commitment• Arrangement Fee of the greater of \$125,000 or 0.125% of the aggregate principal amount of the commitments to Arranger• Upfront Fee of \$261,250• Administrative Agency Fee of \$20,000 per annum• Letter of Credit Fees of 1.75%-2.25% per annum based on the consolidated leverage ratio of the Borrower, plus a Fronting Fee of .125% per annum
Collateral:	None initially. Pledge of the stock of foreign subsidiaries will be required to the extent that foreign subsidiaries contribute more than \$15 million of Consolidated EBITDA
Financial Covenants	<ul style="list-style-type: none">• Minimum Fixed Charge Coverage Ratio of 1.50:1.0, beginning with the four fiscal quarter period ending September 30, 2011• Maximum Consolidated Leverage Ratio of 2.0:1.0, beginning with the fiscal quarter ending September 30, 2011• Minimum DOE Ratio of 1.50:1.0, as of the end of any fiscal year• Cohort Default Rate cannot exceed the maximum percentage permitted by the DOE for the applicable three consecutive cohort fiscal years

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- Net Institutional Student Loans as of the end of each fiscal quarter cannot exceed 10% of Consolidated Net Worth as of the most recently ended fiscal quarter

We issued a press release on October 3, 2011 announcing the credit facility, a copy of which is filed as Exhibit 99.1 hereto and incorporated by reference in this Current Report on Form 8-K.

Item 9.01. Financial Statements and Exhibits.

(d) Exhibits

99.1 Press Release dated October 3, 2011.

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, thereunto duly authorized.

CAPELLA EDUCATION COMPANY

Date: October 3, 2011

By /s/ Gregory W. Thom
Gregory W. Thom
Vice President and General Counsel

**FOR IMMEDIATE RELEASE****Investor Contact:**

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Capella Education Company enters into revolving credit agreement

MINNEAPOLIS, Oct. 3, 2011 - Capella Education Company (NASDAQ:CPLA), a provider of online post-secondary education through its wholly owned subsidiary **Capella University**, today announced that it has entered into a revolving credit agreement. The credit agreement provides \$100 million of borrowing capacity, with an increase option of an additional \$50 million. The agreement has a term of five years ending Sept. 30, 2016. Capella's previous \$10 million line of credit facility was terminated upon entering into the new credit agreement.

Capella Education Company is entering into this credit agreement with Bank of America, N.A. as the administrative agent for the credit agreement, and with other lenders including U.S. Bank National Association, PNC Bank National Association, Associated Bank National Association, and Merrill Lynch Pierce Fenner & Smith Inc. as the lead arranger and book manager.

"This credit facility provides Capella with additional financial flexibility on favorable terms for the five year term of the agreement," said Steve Polacek, senior vice president and chief financial officer. "Capella has a strong balance sheet with no debt and a cash position of \$173 million as of June 30, 2011. We will continue to manage our investments and liquidity to position Capella for long-term sustainable growth and shareholder returns."

The interest rate on borrowings under this credit agreement is either LIBOR plus 1.75 to 2.25 percent or a base rate based on Capella's consolidated leverage ratio. Additional information is available in Capella Education Company's Form 8-K filed with the SEC today.

Forward-Looking Statements

Certain information in this news release does not relate to historical financial information, including statements relating to our future prospects and our expectations regarding our revenues, enrollment, and operating performance, and may be deemed to constitute forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995. The company cautions investors not to place undue reliance on any such forward-looking statements, which are based on information available at the time those statements are made or management's good faith belief as of that time with regard to future events, and should not be read as a guarantee of future performance or results. Such statements are subject to certain risks and uncertainties that could cause the company's actual results in the future to differ materially from its historical results and those presently anticipated or projected. The company undertakes no obligation to update its forward-looking statements to reflect events or circumstances arising after such date.

About Capella Education Company

Founded in 1991, Capella Education Company is a leader in online education, primarily through our wholly owned subsidiary Capella University, a regionally accredited* online university. In addition, Capella Education Company offers online education through Resource Development International Ltd. (RDI), an independent provider of United Kingdom (UK) university distance learning qualifications.

Capella University offers online graduate degree programs in business, counseling, education, health administration, homeland security, human resource management, human services, information technology, nonprofit management and leadership, nursing, psychology, public administration, public health, public safety, and social work, and bachelor's degree programs in business, information technology, nursing, psychology, and public safety. These academic programs are designed to meet the needs of working adults, combining high quality, competency-based curricula with the convenience and flexibility of an online learning format. Currently, Capella University offers 43 graduate and undergraduate degree programs with 135 specializations. More than 38,000 learners were enrolled as of June 30, 2011. For more information about Capella Education Company, please visit <http://www.capellaeducation.com>. For more information about Capella University, please visit <http://www.capella.edu> or call 1.888.CAPELLA (227.3552).

Resource Development International Ltd. partners with a number of the top 100 universities in the UK to develop, validate and deliver UK higher education qualifications, predominantly through online courses. For more information, please visit <http://www.rdi.co.uk>.

Capella Education Company is also an investor in an innovative startup company called Sophia (<http://www.sophia.org>) - a social teaching and learning platform that integrates education with technology.

* Capella University is accredited by The Higher Learning Commission and is a member of the North Central Association of Colleges and Schools (NCA), <http://www.ncahlc.org> . Capella University, Capella Tower, 225 South Sixth Street, Ninth Floor, Minneapolis, MN 55402, 1.888.CAPELLA (227.3552), <http://www.capella.edu> .

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