

STRAYER EDUCATION INC

Form DEF 14A

March 28, 2005

SCHEDULE 14A INFORMATION

Proxy Statement Pursuant to Section 14(a) of the Securities Exchange Act of 1934

Filed by the Registrant  Filed by a Party other than the Registrant

Check the appropriate box:

Preliminary Proxy Statement

**Confidential, for Use of the Commission Only (as permitted by Rule 14a-6(e)(2))**

Definitive Proxy Statement

Definitive Additional Materials

Soliciting Material Pursuant to §240.14a-12

Strayer Education, Inc.

\_\_\_\_\_  
(Name of Registrant as Specified in Its Charter)

N/A

\_\_\_\_\_  
(Name of Person(s) Filing Proxy Statement, if other than the Registrant)

Payment of Filing Fee (Check the appropriate box):

No fee required.

Fee computed on table below per Exchange Act Rules 14a-6(i)(1) and 0-11.

1) Title of each class of securities to which transaction applies: \_\_\_\_\_

2) Aggregate number of securities to which transaction applies: \_\_\_\_\_

3) Per unit price or other underlying value of transaction computed pursuant to Exchange Act Rule 0-11 (set forth the amount on which the filing fee is calculated and state how it was determined): \_\_\_\_\_

4) Proposed maximum aggregate value of transaction: \_\_\_\_\_

5) Total fee paid: \_\_\_\_\_

Fee paid previously with preliminary materials.

Check box if any part of the fee is offset as provided by Exchange Act Rule 0-11(a)(2) and identify the filing for which the offsetting fee was paid previously. Identify the previous filing by registration statement number, or the Form or Schedule and the date of its filing.

1) Amount Previously Paid: \_\_\_\_\_

2) Form, Schedule or Registration Statement No.: \_\_\_\_\_

3) Filing Party: \_\_\_\_\_

4) Date Filed: \_\_\_\_\_

STRAYER EDUCATION, INC.  
1100 Wilson Blvd., Suite 2500  
Arlington, VA 22209  
(703) 247-2500

Dear Fellow Stockholder:

You are cordially invited to attend the 2005 annual meeting of Stockholders of Strayer Education, Inc. (the "Corporation"), to be held at **8:30 a.m. local time on May 3, 2005**, at the Strayer University campus located at 1133 15<sup>th</sup> Street, N.W., 3<sup>rd</sup> floor, Room 322, in **Washington, DC**.

At this year's meeting, you will vote on (i) the election of eleven directors, (ii) the ratification of the appointment of PricewaterhouseCoopers LLP as the Corporation's independent registered public accounting firm, (iii) amending the Corporation's Employee Stock Option Plan to authorize 500,000 additional shares for future issuance thereunder, extend the term of the Plan to 2020 and to make certain other clarifying changes, and (iv) any other matters that may properly come before the meeting. We have attached a notice of meeting and a proxy statement that contain more information about these items and the meeting.

Your vote is important. We encourage you to sign and return your proxy before the meeting so that your shares will be represented and voted at the meeting even if you cannot attend in person.

We look forward to seeing you at the 2005 Annual Meeting of Stockholders.

Sincerely,  
/s/ ROBERT S. SILBERMAN  
**ROBERT S. SILBERMAN**  
Chairman of the Board  
and Chief Executive Officer

March 28, 2005

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STRAYER EDUCATION, INC.  
1100 Wilson Blvd., Suite 2500  
Arlington, VA 22209  
(703) 247-2500

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NOTICE OF ANNUAL MEETING OF STOCKHOLDERS

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The 2005 Annual Meeting of Stockholders of Strayer Education, Inc. (the "Corporation"), will be held at the Strayer University campus located at 1133 15<sup>th</sup> Street, N.W., 3<sup>rd</sup> floor, Room 322, in **Washington, DC on May 3, 2005, at**

**8:30 a.m.** for the following purposes:

1. To elect eleven directors to the Board of Directors to serve for a term of one year or until their respective successors are elected and qualified.
2. To ratify the appointment of PricewaterhouseCoopers LLP as the independent registered public accounting firm for the Corporation.
3. To amend the Corporation's Employee Stock Option Plan to authorize 500,000 additional shares for future issuance thereunder, extend the term of the Plan to 2020 and to make certain other clarifying changes.
4. To consider and act upon such other business as may properly come before the meeting.

**THIS NOTICE IS BEING SENT TO COMMON STOCKHOLDERS OF RECORD AS OF MARCH 14, 2005. WHETHER OR NOT YOU PLAN TO ATTEND THE MEETING, YOU ARE REQUESTED TO COMPLETE, SIGN, DATE AND RETURN THE ENCLOSED PROXY AS PROMPTLY AS POSSIBLE IN THE ENCLOSED STAMPED ENVELOPE.**

By Order of the Board of Directors

/s/ Steven A. McArthur

**Steven A. McArthur**

Secretary

Arlington, VA  
March 28, 2005

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STRAYER EDUCATION, INC.  
1100 Wilson Blvd., Suite 2500  
Arlington, VA 22209  
(703) 247-2500

#### PROXY STATEMENT

Annual Meeting of Stockholders  
May 3, 2005

This Proxy Statement is furnished on or about March 28, 2005, to holders of the common stock of Strayer Education, Inc. (the "Corporation"), 1100 Wilson Blvd., Suite 2500, Arlington, VA 22209, in connection with the solicitation on behalf of the Board of Directors of the Corporation of proxies to be voted at the 2005 Annual Meeting of Stockholders (the "Annual Meeting"). The Annual Meeting will be held at 8:30 a.m. local time on May 3, 2005, at the Strayer University campus located at 1133 15<sup>th</sup> Street, N.W., 3<sup>rd</sup> floor, Room 322, in Washington, DC.

The cost of soliciting proxies will be borne by the Corporation. Copies of solicitation material may be furnished to brokers, custodians, nominees and other fiduciaries for forwarding to beneficial owners of shares of the Corporation's common stock, and normal handling charges may be paid for such forwarding service. Solicitation of proxies may be made by the Corporation by mail or by personal interview, telephone and telegraph by officers and other management employees of the Corporation, who will receive no additional compensation for their services. The Corporation has also retained MacKenzie Partners, Inc. to provide proxy solicitation services for a fee of \$5,000 plus reimbursement of its out-of-pocket expenses.

Any stockholders giving a proxy pursuant to this solicitation may revoke it at any time prior to exercise of the proxy by giving notice of such revocation to the Secretary of the Corporation at the Corporation's executive offices at 1100 Wilson Blvd., Suite 2500, Arlington, VA 22209, providing a later dated proxy or by attending the meeting and voting in person.

At the close of business on March 14, 2005, there were 14,641,955 shares of the common stock of the Corporation outstanding and entitled to vote at the meeting. **Only common stockholders of record on March 14, 2005 will be entitled to vote at the meeting**, and each share will have one vote.

#### Voting Information

At the Annual Meeting votes will be counted by written ballot. A majority of the shares entitled to vote will constitute a quorum for purposes of the Annual Meeting. The election of the Board of Directors' nominees for eleven directors will require the affirmative vote of a plurality of the common shares present in person or represented by proxy and entitled to vote in the election of directors. Ratification of the appointment of the Corporation's independent registered public accounting firm and approval of the amendment to the Option Plan, and approval of any other business which may properly come before the Annual Meeting, or any adjournments thereof, will require the affirmative vote of a majority of the common shares present in person or represented by proxy and entitled to vote thereon. Under Maryland law and the Corporation's Articles of Incorporation and By-laws, the aggregate number of votes entitled to be cast by all common stockholders present in person or represented by proxy at the Annual Meeting, whether those stockholders vote "For," "Against" or abstain from voting, will be counted for purposes of determining the minimum number of affirmative votes required for approval of such matters, and the total number of votes cast "For" each of these matters will be counted for purposes of determining whether sufficient affirmative votes have been cast. An abstention from voting on a matter by a common stockholder present in person or represented by proxy at the meeting, other than the election of directors, has the same legal effect as a vote "Against" the matter even though the stockholder or interested parties analyzing the results of the voting may interpret such a vote differently. Broker non-votes will have the effect of reducing the number of shares considered present and entitled to vote on the matter. Abstentions and broker non-votes will have no effect on the election of directors.

A common stockholder may, with respect to the election of directors, (1) vote for the election of all named director nominees, (2) withhold authority to vote for all named director nominees or (3) vote for

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the election of all named director nominees other than any nominee with respect to whom the stockholder withholds authority to vote by so indicating in the appropriate space on the proxy card. A form of proxy card is attached hereto as Exhibit A.

Proxies properly executed and received by the Corporation prior to the meeting and not revoked, will be voted as directed therein on all matters presented at the meeting. In the absence of specific direction from a common stockholder, proxies will be voted for the election of all named director nominees. If a proxy indicates that all or a portion of the shares represented by such proxy are not being voted with respect to a particular proposal, such non-voted shares will not be considered present and entitled to vote on such proposal, although such shares may be considered present and entitled to vote on other proposals and will count for the purpose of determining the presence of a quorum.

PROPOSAL 1

## Election of Directors

The Corporation currently has a twelve member Board, all of whom are elected by the Corporation's common stockholders. There is currently one vacancy on the Board, thus eleven nominees are being voted on at the Annual Meeting.

All eleven of the directors which the common stockholders are currently entitled to elect are to be elected at the Annual Meeting. It is intended that the votes represented by the proxies will be cast for the election as directors, for a term of one year or until their successors are chosen and qualified, of the persons listed below. Each of the nominees is currently a director of the Corporation. The following table and text presents information as of the date of this proxy statement concerning persons nominated for election as directors of the Corporation including in each case their current membership on Committees of the Board of Directors, principal occupations or affiliations during the last five years and certain other directorships held.

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## Nominees for Common Stock Directors

Name/Title	Age	Board Committees	Elected to Strayer Board	Common Stock	Vested Options <sup>(a)</sup>	Unvested Options
<b>Robert S. Silberman,</b> Chairman & CEO	47	—	2001	6,152	366,667	133,333
<b>Dr. Charlotte F. Beason,</b> Director	57	Nominating/ Governance	1996	3,450	0	0
<b>William E. Brock,</b> Director	74	Nominating/ Governance	2001	0	10,000	0
<b>David A. Coulter,<sup>(b)</sup></b> Director	57	—	2002	0	10,000	0
<b>Gary Gensler,</b> Director	47	Audit	2001	3,000	10,000	0
<b>Robert R. Grusky,<sup>(c)</sup></b> Director	47	Audit	2001	0	0	0
<b>Robert L. Johnson,</b> Director	58	Compensation	2003	5,341	3,333	3,334
<b>Steven B. Klinsky,</b> Director	48	Nominating/ Governance	2001	1,192,120	0	0
<b>Todd A. Milano,</b> Director	52	Compensation	1996	9,106	0	0
<b>G. Thomas Waite, III,</b> Director	53	Audit	1996	3,128	0	0
<b>J. David Wargo,<sup>(c)</sup></b> Director	51	Compensation	2001	0	0	0

- (a) Or will vest within 60 days of the date of this proxy statement.
- (b) Mr. Coulter is presently serving as the Board's Presiding Outside Director.
- (c) Messrs. Grusky and Wargo have an economic interest in the Company as passive limited partners in New Mountain Investments, LP, which is the general partner of New Mountain Partners, LP ("NMP"). NMP is the entity which owns 1,192,120 shares of Company common stock.

**Mr. Robert S. Silberman**

has been Chairman of the Board since February 2003 and Chief Executive Officer since March 2001. Mr. Silberman was Executive in Residence at New Mountain Capital, LLC from August 2000 to March 2001. From 1995 to 2000, Mr. Silberman served in a variety of senior management positions at CalEnergy Company, Inc., including President and Chief Operating Officer. From 1993 to 1995, Mr. Silberman was Assistant to the Chairman and Chief Executive Officer of International Paper Company. From 1989 to 1993, Mr. Silberman served in several senior positions in the U.S. Department of Defense, including as Assistant Secretary of the Army. Mr. Silberman has been a Director of Strayer since March 2001. He serves on the Board of Directors of Surgis, Inc., Danielson Holding Company, and on the Management Advisory Board of New Mountain Capital, LLC. He also serves on the Board of Visitors of The Johns Hopkins University School of Advanced International Studies. Mr.

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Silberman is a member of the Council on Foreign Relations. Mr. Silberman holds a bachelor's degree in history from Dartmouth College and a master's degree in international policy from the The Johns Hopkins University.

**Dr. Charlotte F. Beason**

is a consultant in education and health care administration. From 1988 to 1996 she was Director of Health Professions Education Service and the Health Professional Scholarship Program at the Department of Veterans Affairs. From 2000 to 2003, Dr. Beason was Chair and Vice Chair of the Commission on Collegiate Nursing Education (an autonomous agency accrediting baccalaureate and graduate programs in nursing); she is a member of the Accreditation Review Committee of the American Nurses Credentialing Commission. Dr. Beason is a member of the Nominating/Governance Committee of the Board and also a member of the Strayer University Board of Trustees. Dr. Beason holds a bachelor's degree in nursing from Berea College, a master's degree in psychiatric nursing from Boston University and a doctorate in clinical psychology and public practice from Harvard University.

**Mr. William E. Brock**

founded Intellectual Development Systems, Inc., an education services company in 1996. From 1988 to 1995 Mr. Brock was the founder and Chairman of the Brock Group, a firm specializing in international trade, investment and human resources. From 1985 to 1987, Mr. Brock served in the President's Cabinet as the U.S. Secretary of Labor, and from 1981 to 1985, as the U.S. Trade Representative. Elected Chairman of the Republican National Committee from 1977 to 1981, Mr. Brock previously served as a Member of Congress and, subsequently, as U.S. Senator for the State of Tennessee. Mr. Brock serves as a Counselor and Trustee of the Center for Strategic and International Studies, and as a member of the Board of Directors of On Assignment, Inc., and Health Extra, Inc. Mr. Brock is Chair of the Nominating/Governance Committee of the Board. He holds a bachelor's degree in commerce from Washington and Lee University. Mr. Brock has also received a number of honorary degrees.

**Mr. David A. Coulter**

has been Vice Chairman of J.P. Morgan Chase & Co. from December 2000 to the present. Mr. Coulter was Vice Chairman of The Chase Manhattan Corporation from July 2000 to December 2000. Prior to joining Chase, for several years Mr. Coulter led the West Coast operations of the Beacon Group, a private investment and strategic advisory firm, and prior to that, Mr. Coulter served as the Chairman and Chief Executive Officer of the BankAmerica Corporation. Mr. Coulter is a member of the Board of Directors of PG&E Corporation. Mr. Coulter is currently serving as the Presiding Outside Director of the Strayer Education, Inc. Board of Directors. Mr. Coulter holds a bachelor's degree in mathematics and economics and a master's degree in industrial administration, both from Carnegie Mellon University.

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**Mr. Gary Gensler**

served as Under Secretary of the U.S. Department of the Treasury from 1999 to 2001, and as Assistant Secretary of the Treasury from 1997 to 1999. From 1988 to 1997, Mr. Gensler was a partner of The Goldman Sachs Group, LP, where he served in various capacities including co-head of finance, responsible for controllers and treasury worldwide. Mr. Gensler is co-author of "The Great Mutual Fund Trap." He serves as a Trustee of the Baltimore Museum of Art, the Bryn Mawr School, and The Enterprise Foundation, and is a member of the Board of Visitors of the University of Maryland, Baltimore County

and the Board of The Johns Hopkins Center for Talented Youth. Mr. Gensler also serves on the Management Advisory Board of New Mountain Capital, LLC. Mr. Gensler is Chair of the Audit Committee of the Board. Mr. Gensler holds a bachelor's degree in economics and a master's degree in business administration from the Wharton School of the University of Pennsylvania.

**Mr. Robert R. Grusky**

is a co-founder and has been a Member of New Mountain Capital, LLC, since January 2000. Mr. Grusky is also the founder and managing member of Hope Capital Management, LLC., an investment manager, since 2000. From 1998 to 2000, Mr. Grusky served as President of RSL Investments Corporation. From 1985 to 1997, with the exception of 1990 to 1991 when he was on a leave of absence to serve as a White House Fellow and Assistant for Special Projects to the Secretary of Defense, Mr. Grusky served in a variety of capacities, including Vice President at Goldman, Sachs & Co., first in its Mergers & Acquisitions Department and then in its Principal Investment Area. He is also on the Board of Directors of Surgis, Inc. and National Medical Health Card Systems, Inc., as well as a member of the Board of Trustees of Hackley School and the Multiple Myeloma Research Foundation. Mr. Grusky is a member of the Audit Committee of the Board. He holds a bachelor's degree in history from Union College and a master's degree in business administration from Harvard University.

**Mr. Robert L. Johnson**

is the founder and Chief Executive Officer of Black Entertainment Television (BET), a subsidiary of Viacom and the leading African-American operated media and entertainment company in the United States. In 2002, Mr. Johnson became the first African-American majority owner of a major sports franchise, the Charlotte Bobcats of the NBA. He is also the owner of the Charlotte Sting of the WNBA. Mr. Johnson is also the founder of RLJ Companies where he owns or holds interests in companies operating in the professional sports, hospitality/restaurant, real estate, gaming, and recording industries. From 1976 to 1979, he served as vice president of governmental relations for the National Cable & Telecommunications Association (NCTA). Mr. Johnson also served as press secretary for the Honorable Walter E. Fauntroy, Congressional Delegate from the District of Columbia. He also serves on the following boards:



US Airways, Hilton Hotels, NBA Board of Governors, The Johns Hopkins University, Lowe's Companies and the American Film Institute. Mr. Johnson is also a member of the Board of Governors for the Rock and Roll Hall of Fame in Cleveland, Ohio. Mr. Johnson is a member of the Compensation Committee of the Board. He holds a bachelor's degree in social studies from the University of Illinois and a master's degree in international affairs from the Woodrow Wilson School of Public and International Affairs at Princeton University.

**Mr. Steven B. Klinsky**

is the Founder and has been the Managing Member and Chief Executive Officer of New Mountain Capital, LLC, since January 2000. From 1987 to June 1999, Mr. Klinsky was a general partner of Forstmann Little & Co., a private equity firm. Mr. Klinsky was non-executive Chairman of the Board from March 2001 until February 2003 and served as the Board's Presiding Outside Director from February 2004 until February 2005. He is a member of the Nominating/Governance Committee of the Board. He also serves on the Board of Directors of Surgis, Inc., Overland Solutions, Inc., Apptis, Inc., and National Medical Health Card Systems, Inc. Mr. Klinsky holds a bachelor's degree in economics and political philosophy from the University of Michigan, a master's degree in business administration and a juris doctorate from Harvard University.

**Mr. Todd A. Milano**

has been President and Chief Executive Officer of Central Pennsylvania College since 1989. Mr. Milano is a member of the Compensation Committee of the Board and is also a member of the Strayer University Board of Trustees. Mr. Milano holds a bachelor's degree in industrial management from Purdue University.

**Mr. G. Thomas Waite, III**

has been Treasurer and Chief Financial Officer of the Humane Society of the United States since 1993. In 1992, Mr. Waite was the Director of Commercial Management of The National Housing Partnership. Mr. Waite is a member of the Audit Committee of the Board and is also a member of the Strayer University Board of Trustees. Mr. Waite holds a bachelor's degree in commerce from the University of Virginia and is a Certified Public Accountant.

**Mr. J. David Wargo**

is a co-founder and has been a Member of New Mountain Capital, LLC since January 2000. Since 1993, Mr. Wargo has also been President of Wargo and Company, Inc., an investment management company. From 1989 to 1992, Mr. Wargo was a Managing Director and Senior Analyst of The Putnam Companies, a Boston-based investment management company. From 1985 to 1989, Mr. Wargo was a partner and held other positions at Marble Arch Partners. Mr. Wargo is a Director of Liberty Media International and OpenTV Corporation. Mr. Wargo is

Chair of the Compensation Committee of the Board. Mr. Wargo holds a bachelor's degree in

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physics and a master's degree in nuclear engineering, both from the Massachusetts Institute of Technology. He also holds a master's degree in management from the Sloan School of Management, Massachusetts Institute of Technology.

#### Board Committees

The Board of Directors has established an Audit Committee, a Compensation Committee and a Nominating/Governance Committee. The current Committee membership is as follows:

Director's Name	Audit	Compensation	Nominating/ Governance
Robert S. Silberman			
Charlotte F. Beason			X
William E. Brock			X
David A. Coulter			
Gary Gensler	X		
Robert R. Grusky	X		
Robert L. Johnson		X	
Steven B. Klinsky			X
Todd A. Milano		X	
G. Thomas Waite, III	X		
J. David Wargo		X	

Audit Committee. For the year ended December 31, 2004, the Audit Committee was composed of Messrs. Gensler (Chair), Milano and Waite. The Committee is currently comprised of Messrs. Gensler (Chair), Grusky and Waite. Mr. Grusky was appointed to the Audit Committee in February 2005. The Committee performs a variety of tasks, including being directly responsible for the appointment, compensation and oversight of the Corporation's independent registered public accounting firm, reviewing the Corporation's accounting policies and reviewing the Corporation's unaudited quarterly earnings releases and periodic filings with the Securities and Exchange Commission (the "SEC") that include financial statements, and reporting to the Board of Directors. The Audit Committee met four times during 2004; each member of the Audit Committee (as it was constituted at those times) attended those meetings. The Audit Committee has adopted a written charter, a copy of which the Corporation will provide to any person without charge, upon request. Persons wishing to make such a request should contact Sonya G. Udler, Vice President – Corporate Communications, 1100 Wilson Blvd., Suite 2500, Arlington, VA 22209, (703) 247-2500. In addition, the Audit Committee charter is available on the Corporation's website, [www.strayereducation.com](http://www.strayereducation.com). The Board of Directors has determined that all of the members of the Audit Committee are independent, as independence is defined in Rule 4200(a)(14) of The National Association of Securities Dealers' Listing Standards and Rule 10A-3(b)(1) of the 1934 Act. The Board of Directors has determined that Gary Gensler qualifies as an "audit committee financial expert", as defined by Securities and Exchange Commission Rules, based on his education, experience and background. A report of the Audit Committee is included below in this proxy statement. A copy of the Audit Committee's charter is attached to this proxy statement as Exhibit B.

Compensation Committee. For the year ended December 31, 2004, the Compensation Committee was composed of Messrs. Coulter (Chair), Johnson and Wargo. The Compensation Committee is currently composed of Messrs. Wargo (Chair), Johnson and Milano. Mr. Milano was appointed to the Compensation Committee in February 2005. The Compensation Committee, subject to the approval of the Board, has the authority and performs all of the duties related to approving the compensation of management of the Corporation, including determining policies and practices, changes in compensation and benefits for management, determination of employee benefits and all other matters relating to

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employee compensation, including matters relating to the administration of the Option Plan. The Compensation Committee met three times during the year ended December 31, 2004; all members of the Compensation Committee (as it was constituted at those times) attended all meetings. A report of the Compensation Committee is included below in this proxy statement. The Board has determined that each of the members of the Compensation Committee are independent, as independence is defined in Rule 4200(a)(14) of The National Association of Securities Dealers' Listing Standards.

Nominating/Governance Committee. For the year ended December 31, 2004, the Nominating/Governance Committee (the "Nominating Committee") was composed of Dr. Beason and Messrs. Brock (Chair) and Grusky. The Nominating Committee is currently composed of Dr. Beason and Messrs. Brock (Chair) and Klinsky. The Board has determined that each of the members of the Nominating Committee are independent, as independence is defined in Rule 4200(a)(14) of The National Association of Securities Dealers' Listing Standards. The Nominating Committee is responsible for establishing qualifications for potential directors and considering and recommending prospective candidates for Board membership. The Nominating Committee met once during the year ended December 31, 2004; each member of the Nominating Committee (as it was then constituted at that time) attended that meeting.

The Nominating Committee has adopted a written charter. The Nominating Committee charter will be made available to any person upon request without charge. Persons wishing to make such a request should contact Sonya G. Udler, Vice President – Corporate Communications, 1100 Wilson Blvd., Suite 2500, Arlington, VA 22209, (703) 247-2500. In addition, the Nominating Committee charter is available on the Corporation's website, [www.strayereducation.com](http://www.strayereducation.com).

The Nominating Committee considers many factors when considering candidates for the Board. The Nominating Committee strives for the Board to be comprised of directors with a variety of experience and backgrounds and who represent the interests of stockholders as a whole. Other important factors in Board composition include diversity in its truest sense, skill, specialized expertise, level of education and/or business experience, broad-based business acumen, and experience and understanding of strategy and policy-setting, as well as having a commitment to maintaining the high academic quality of Strayer University and maximizing stockholder value. (The Nominating Committee also encourages all Board members to make an economic investment in the Corporation by purchasing shares directly.) Depending upon the current needs of the Board, certain factors may be weighed more or less heavily by the Nominating Committee.

In considering candidates for the Board, the Nominating Committee considers the entirety of each candidate's credentials and does not have any specific minimum qualifications that must be met by a Nominating Committee recommended nominee. However, the Nominating Committee does believe that all members of the Board should have the highest character and integrity; a reputation for working constructively with others; sufficient time to devote to Board matters; and no conflict of interest that would interfere with performance as a director. In addition, it is anticipated that the Board as a whole be able to operate in an atmosphere where the chemistry of the individuals is a

key element.

The Nominating Committee does not evaluate candidates differently based on who has made the proposal. The Nominating Committee has the authority under its charter to hire and pay a fee to consultants or search firms to assist in the process of identifying and evaluating candidates. No such consultants or search firms have been used to date and, accordingly, no fees have been paid to consultants or search firms in the past fiscal year.

In considering persons to nominate for election as common stock directors, the Nominating Committee will entertain recommendations from common stockholders that are submitted in writing to the Corporation, provided that such common stockholders (i) beneficially own more than 5% of the Corporation's common stock or (ii) have beneficially owned more than 1% of the Corporation's common stock for at least one year. Stockholders meeting such criteria may recommend candidates for consideration by the Nominating Committee by writing to Steven A. McArthur, Corporate Secretary, 1100 Wilson Blvd., Suite 2500, Arlington, VA 22209, giving the candidate's name, contact information, biographical data and qualifications, as well as evidence of the stockholder satisfying the criteria set forth above. A written statement from the candidate consenting to be named as a candidate and, if nominated

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and elected, to serve as a director should accompany any such recommendation. All such recommendations will be treated confidentially and brought to the attention of the Nominating Committee.

Stockholders who wish to nominate a director for election at an annual meeting of the stockholders of the Corporation must also comply with the Corporation's By-laws regarding stockholder proposals and nominations. See "Stockholder Proposals" contained in this proxy statement.

#### Attendance at Meetings and Director Independence

The Board of Directors met five times during 2004. Each Director attended at least 75% of the meetings of the Board and of the meetings of the Board Committees on which he or she served as a member in 2004. At each regularly scheduled meeting of the Board, the independent directors met in executive session. The Board's Presiding Outside Director, currently Mr. Coulter, presides at these meetings. The Corporation strongly encourages all incumbent directors and director nominees to attend each annual meeting of stockholders. All incumbent directors attended the Corporation's last annual meeting of stockholders held on May 4, 2004.

The Board of Directors consists of a majority of independent directors, as independence is defined in Rule 4200(a)(14) of The National Association of Securities Dealers' Listing Standards. The Board of Directors has determined that all members of the Board of Directors, except for Mr. Silberman, are independent under these standards.

#### Code of Ethics

The Board of Directors adopted a Code of Ethics in February 2004, meeting the requirements of Section 406 of the Sarbanes-Oxley Act of 2002 and applicable NASDAQ requirements. The Corporation will provide to any person without charge, upon request, a copy of such Code of Ethics. Persons wishing to make such a request should contact Sonya G. Udler, Vice President – Corporate Communications, 1100 Wilson Blvd., Suite 2500, Arlington, VA 22209, (703) 247-2500. (In addition, the Code of Ethics is available on the corporate website, [www.strayereducation.com](http://www.strayereducation.com).) In the event that the Corporation makes any amendment to, or grants any waiver from, a provision of the Code of Ethics

that applies to the Corporation's principal executive officer, principal financial officer, principal accounting officer, controller or certain other senior officers and requires disclosure under applicable SEC rules, the Corporation intends to disclose such amendment or waiver and the reasons for the amendment or waiver on the Corporation's website, located at [www.strayereducation.com](http://www.strayereducation.com) and, as required by NASDAQ, file a Current Report on Form 8-K with the SEC reporting the amendment or waiver.

#### Stockholder Communication with Directors

The Corporation has a process for stockholders to send communications to the Board of Directors. Any stockholder that wishes to communicate with the Board of Directors may do so by submitting correspondence in writing to the Board, in care of Steven A. McArthur, Corporate Secretary, 1100 Wilson Blvd., Suite 2500, Arlington, VA 22209. The mailing envelope must contain a clear notation indicating that the enclosed letter is a "Stockholder-Board Communication." All such letters must identify the author as a stockholder. All correspondence from stockholders that (i) beneficially own more than 5% of the Corporation's common stock or (ii) have beneficially owned more than 1% of the Corporation's common stock for at least one year will be forwarded to the Board. Stockholder-board communications from all other stockholders will be reviewed by the Chief Executive Officer and the Secretary of the Corporation who will forward all appropriate communications to the Board.

#### Directors' Compensation

Directors who are employees receive no additional compensation for serving as directors. All directors are reimbursed for expenses incurred in connection with their attendance at Board and Committee meetings, and during 2004 non-employee directors received \$4,000 in cash compensation for each regular Board of Directors meeting attended. Following the annual stockholders meeting occurring after new directors first join the Board, under the Corporation's Stock Option Plan, as amended in May

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2001, such new directors are also granted options to purchase up to 10,000 shares of common stock pursuant to a mechanical pricing formula resulting in an exercise price set at a premium equal to the risk free rate of return above the then current market price. (Messrs. Klinsky, Grusky and Wargo elected not to receive cash or option compensation for serving on the Board as preferred stock directors in 2001-2004.)

#### Section 16(a) Beneficial Ownership Reporting Compliance

The Securities Exchange Act of 1934 (the "1934 Act") requires the Corporation's directors, executive officers and 10% stockholders to file reports of beneficial ownership of equity securities of the Corporation and to furnish copies of such reports to the Corporation. Based on a review of such reports, and upon written representations from certain reporting persons, the Corporation believes that, during the fiscal year ended December 31, 2004, all such filing requirements were met.

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## BENEFICIAL OWNERSHIP OF COMMON STOCK

The following table sets forth certain information regarding the ownership of the Corporation's common stock as of March 14, 2005 (except as otherwise indicated), by each person known by management of the Corporation to be the beneficial owner of more than five percent (5%) of the outstanding shares of the Corporation's common stock, each of the Corporation's directors, its CEO and the four next highest compensated executive officers and all executive officers and directors as a group. The information presented in the table is based upon the most recent filings with the Securities and Exchange Commission by those persons or upon information otherwise provided by those persons to the Corporation. The percentages reflected in the table for each beneficial owner are calculated based on the number of shares of common stock outstanding on the record date plus those common stock equivalents and exercisable options held by the applicable beneficial owner. **Certain of the stockholders represent duplicate entries when more than one individual or entity must report beneficial ownership as to the same shares, see footnote (c) below.**

Name of Beneficial Owner	Common Stock Beneficially Owned	Options Currently Exercisable or Exercisable within 60 Days	Total	Percentage Owned
<b><u>Stockholders:</u></b>				
Baron Capital Group, Inc. (a)	1,384,150	0	1,384,150	9.5%
Lone Pine Associates LLC (b)	1,221,551	0	1,221,551	8.3%
New Mountain Partners, L.P. (c)	1,192,120	0	1,192,120	8.1%
North Sound Capital LLC (d)	838,994	0	838,994	5.7%
Wellington Management Company, LLP (e)	799,480	0	799,480	5.5%
<b><u>Directors:</u></b>				
Steven B. Klinsky (c)	1,192,120	0	1,192,120	8.1%
Robert S. Silberman	6,152	366,667	372,819	2.5%
Dr. Charlotte F. Beason	3,450	0	3,450	*
William E. Brock	0	10,000	10,000	*
David A. Coulter	0	10,000	10,000	*
Gary Gensler	3,000	10,000	13,000	*
Robert R. Grusky (c)	0	0	0	0%
Robert L. Johnson	5,341	3,333	8,674	*
Todd A. Milano	9,106	0	9,106	*
G. Thomas Waite, III	3,128	0	3,128	*
J. David Wargo (c)	0	0	0	0%
<b><u>Executive Officers:</u></b>				
Mark C. Brown	1,457	81,249	82,706	*
Lysa A. Hlavinka	139	20,000	20,139	*
Steven A. McArthur	3,649	50,000	53,649	*
Pamela S. Bell	170	0	170	*
James F. McCoy	0	0	0	0%
Kevin P. O'Reagan	0	41,666	41,666	*
Dr. J. Chris Toe	0	0	0	0%
Sonya G. Udler	52	6,666	6,718	*
Michael J. Fortunato	300	0	300	*

**All Executive Officers and Directors**

(20 persons)	1,228,064	599,581	1,827,645	12.0%
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\*represents amounts less than 1%

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- (a) As of December 31, 2004, based on a Schedule 13G/A filed with the SEC on February 15, 2005. Baron Capital Management, Inc. and BAMCO, Inc. are investment advisers with respect to these shares for the accounts of other persons who have the right to receive, and the power to direct the receipt of dividends from, or the proceeds from the sale of, such shares of common stock. The address is: 767 Fifth Avenue, New York, NY 10153.
- (b) As of December 31, 2004, based on a Schedule 13G/A filed with the SEC on February 11, 2005. According to the Schedule 13G/A, Lone Pine Associates LLC is the general partner of each of Lone Spruce, L.P., Lone Balsam, L.P., and Lone Sequoia, L.P. and, as a result, shares the power to vote or dispose of 155,837 shares of common stock held by those entities. Steven F. Mandel, Jr. shares the power to vote or dispose of shares of Strayer common stock through his role as managing member of Lone Pine Associates LLC. In addition, Lone Cypress, Ltd., a client of Lone Pine Capital LLC of which Mr. Mandel is the managing member, has the power to direct the receipt of dividends from or the proceeds of the sale of 1,065,714 shares of Strayer common stock. The address is: Two Greenwich Plaza, Greenwich, CT 06830.
- (c) As of December 9, 2004, based on a Schedule 13D/A filed with the SEC on December 13, 2004. New Mountain Partners, L.P. ("New Mountain Partners") address is 712 Fifth Avenue, 23rd Floor, New York, NY 10019. New Mountain Investments, L.P. ("NMI") is New Mountain Partners' general partner and New Mountain GP, LLC ("NM") is NMI's general partner. Mr. Klinsky is the sole member of NM. Messrs. Grusky and Wargo are passive limited partners in NMI. Messrs. Klinsky, Grusky and Wargo disclaim beneficial ownership of the shares owned by New Mountain Partners, except to the extent of their beneficial ownership therein.
- (d) As of December 31, 2004, based on Schedule 13G/A filed with the SEC on January 26, 2005. According to the Schedule 13G/A, the ultimate managing member of North Sound Capital LLC ("North Sound") is Thomas McAuley. North Sound may be deemed the beneficial owner of the shares in its capacity as the managing member of North Sound Legacy Fund LLC and North Sound Legacy Institutional Fund LLC and the investment advisor of North Sound Legacy International Ltd. (the "Funds"), who are the holders of such shares. As the managing member or investment advisor, respectively, of the Funds, North Sound has voting and investment control with respect to the shares of Strayer common stock held by the Funds. The address is: 53 Forest Avenue, Suite 202, Old Greenwich, CT 06870.
- (e) As of December 31, 2004, based on a Schedule 13G filed with the SEC on February 14, 2005. Wellington Management Company is an investment advisor with respect to these shares for the accounts of other persons who have the right to receive or the power to direct the receipt of dividends from, or the proceeds from the sale of, such shares of common stock. The address is: 75 State Street, Boston, MA 02109

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## Executive Compensation

The following table sets forth annual and long-term compensation for the fiscal years ended December 31, 2002, 2003 and 2004 for services in all capacities to the Corporation of the Chief Executive Officer and the other four highest compensated executive officers.

## Summary Compensation Table

	Year	Annual Compensation			Long-Term Compensation Awards Securities Underlying
		Salary	Bonus	All Other Compensation (a)	Options/SAR's (b)
Robert S. Silberman Chairman & CEO	2004	\$ 445,000	\$ 750,000	\$ 4,000	0
	2003	\$ 420,000	\$ 550,000	\$ 4,000	100,000 shares
	2002	\$ 358,750	\$ 300,000	\$ 110,215	0
Mark C. Brown Senior VP & CFO	2004	\$ 198,500	\$ 250,000	\$ 3,970	0
	2003	\$ 186,500	\$ 250,000	\$ 3,730	10,000 shares
	2002	\$ 179,375	\$ 135,000	\$ 94,161	0
Lysa A. Hlavinka Senior VP Marketing & Administration	2004	\$ 134,750	\$ 135,000	\$ 2,695	10,000 shares
	2003	\$ 127,300	\$ 125,000	\$ 3,646	15,000 shares
	2002	\$ 102,500	\$ 55,000	\$ 2,850	0
Steven A. McArthur Senior VP & General Counsel	2004	\$ 196,000	\$ 250,000	\$ 3,920	0
	2003	\$ 190,000	\$ 250,000	\$ 3,800	25,000 shares
	2002	\$ 179,375	\$ 150,000	\$ 70,755	0
Kevin P. O'Reagan Vice President & CTO	2004	\$ 169,000	\$ 125,000	N/A	0
	2003	\$ 160,000	\$ 125,000	N/A	10,000 shares
	2002	\$ 153,750	\$ 75,000	N/A	0

(a) Other Compensation reflects, if applicable, Corporation 401(k) match of up to \$4,000 and reimbursement for relocation expenses and associated tax gross-up.

(b) The following stock options were granted on February 15, 2005 to the Chief Executive Officer and the other four highest compensated executive officers: Robert S. Silberman – 100,000 shares; Mark C. Brown – 25,417 shares; Lysa A. Hlavinka – 15,000 shares; Steven A. McArthur – 16,666 shares; and Kevin P. O'Reagan – 5,000 shares.

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## Option Grants in Last Fiscal Year

## Individual Grants

Name



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	Number of Securities Underlying Options Granted	% of Total Options Grants to Employees in Fiscal Year	Exercise Price (\$/Share)	Expiration Date	Fair Value of Options at Grant Date (b)
Robert S. Silberman Chairman & CEO	0	N/A	N/A	N/A	N/A
Mark C. Brown Senior VP & CFO	0	N/A	N/A	N/A	N/A
Lysa A. Hlavinka Senior VP Marketing & Administration	10,000(a)	11.8%	\$ 119.72	May 10, 2012	\$ 477,000
Steven A. McArthur Senior VP & Gen. Counsel	0	N/A	N/A	N/A	N/A
Kevin P. O'Reagan Vice President & CTO	0	N/A	N/A	N/A	N/A

(a)Vesting 100% on May 11, 2008.

(b)Fair value of options at grant date is computed using Black-Scholes methodology and the following assumptions: dividend yield of 0.24%, risk-free interest rate of 3.8%, volatility of 34%, expected option term of 6.1 years and a forfeiture rate of 10% resulting in a fair value of \$47.70 per share.

Aggregated Option Exercises in Last Fiscal Year and Fiscal Year-End Option Values\*

Name	Shares Acquired on Exercise (#)	Value Realized (\$)*	Number of Securities Underlying Unexercised Options Held at Fiscal Year End (#)		Value of Unexercised in-the-Money Options at Fiscal Year End (\$)	
			Exercisable	Unexercisable	Exercisable	Unexercisable
Robert S. Silberman	50,000	\$ 3,368,000	333,333	66,667	\$24,704,000	\$ 3,745,000
Mark C. Brown	10,417	\$ 558,000	77,916	6,667	\$ 4,837,000	\$ 375,000
Lysa A. Hlavinka	0	\$ 0	15,000	20,000	\$ 922,000	\$ 562,000
Steven A. McArthur	8,333	\$ 395,000	41,667	16,667	\$ 3,171,000	\$ 936,000
Kevin P. O'Reagan	5,000	\$ 277,000	38,333	6,667	\$ 2,430,000	\$ 375,000

\*Pre-tax value.

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Peer Group-Performance Graph

The following performance graph compares the Corporation's cumulative stockholder return on its common stock since December 31, 1999 with The NASDAQ Stock Market (U.S.) Index and a self-determined peer group consisting of Apollo Group, Inc. (APOL), Career Education Corporation (CECO), Corinthian Colleges, Inc. (COCO), DeVry, Inc. (DV), Education Management Corporation (EDMC), and ITT Educational Services, Inc. (ESI). At present, there

is no comparative index for the education industry. This graph is not deemed to be "soliciting material" or to be filed with the SEC or subject to the SEC's proxy rules or to the liabilities of Section 18 of the 1934 Act, and the graph shall not be deemed to be incorporated by reference into any prior or subsequent filing by the Corporation under the Securities Act or the Securities Exchange Act.

Comparison of 60 Month Cumulative Total Return\*  
Among Strayer Education, Inc.  
The NASDAQ Stock Market (U.S.) Index and a Peer Group

Name	12/31/99	12/31/00	12/31/01	12/31/02	12/31/03	12/31/04
Strayer Education, Inc.	100	129	247	291	551	556
NASDAQ Stock Market (U.S.)	100	61	48	33	49	53
Peer Group	100	226	270	337	551	577

\*The comparison assumes \$100 was invested on December 31, 1999 in the Corporation's common stock, the NASDAQ Stock Market (U.S.) Index and the peer companies selected by the Corporation and assumes the reinvestment of all dividends, if any.

NOTE: Peer group consists of Apollo Group, Inc., Career Education Corporation, Corinthian Colleges, Inc., DeVry, Inc., Education Management Corporation and ITT Educational Services, Inc.

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## COMPENSATION COMMITTEE REPORT ON EXECUTIVE COMPENSATION

The Compensation Committee of the Board of Directors has prepared the following report on the Committee's policies with respect to the compensation of executive officers for 2004. The Corporation's executive officer compensation is determined by the Compensation Committee, subject to the approval of the Board. The Compensation Committee meets from time to time during the year as may be required to address compensation and option issues associated with new officer hires and director appointments, as well as, if applicable, making option grants as long-term compensation and making other determinations or recommendations with respect to employee benefit plans and related matters. The Committee also meets specifically at the February Board meeting (when audited year-end financials are available) to award bonuses with respect to the just completed fiscal year, and determine executive officer salaries with respect to the next fiscal year.

### Compensation Principles

1. The Compensation Committee believes that compensation of the Corporation's key executives should be sufficient to attract and retain highly qualified and productive personnel, as well as to enhance productivity and encourage and reward superior performance.
2. It is the policy of the Corporation that the three primary components of the Corporation's total compensation package (base salary, cash bonuses and grants of stock options) will be considered in the aggregate in determining the amount of any one component.
3. The Committee believes the Corporation should make initial option grants to executive officers upon commencement of employment in order to more closely align their interests with stockholders.
- 4.

The Committee seeks to reward achievement of specific long and short-term individual and corporate performance goals by authorizing annual cash bonuses.

5. The Compensation Committee's criteria for assessing executive performance in any year is based on the Corporation meeting consolidated financial targets set by the Board against an approved budget, and the Committee's exercise of its judgment regarding the performance of executive officers against other individual and corporate performance goals approved by the Board.
6. The Committee's guiding principles are focused on encouraging officers and directors to think like owners. To this end, the Committee:
  - i. Generally requires senior officers to purchase outright in the market and hold during their term of employment a meaningful number of common shares;
  - ii. Generally requires commitment by senior officers to hold without exercise during their term of employment at least 75% of their granted stock options or, upon exercise, to hold at least 75% of the resulting common shares acquired upon exercise;
  - iii. Encourages Board members to purchase common shares outright in the market and hold these during their term; and
  - iv. Requires that those Board members who receive option grants upon joining the Board will have the exercise price of those options set at a premium above the then current market price equal to the risk free rate of return.

During 2004, the Corporation's executive compensation included base salary, cash bonus and long-term compensation in the form of stock options awarded under the Corporation's Employee Stock Option Plan. As described above, the cash bonus compensation of executives is designed to compensate executives for the Compensation Committee's assessment of superior performance against consolidated financial targets set by the Board and meritorious and diligent individual efforts. The Committee did not specifically make the basis of its recommendations the comparison with any companies in the same industry. The long-term stock option grants made by the Compensation Committee are intended to align the interests of executives and the Corporation's stockholders and thereby to motivate executives as equity owners to contribute at superior levels in the future and to allow them to share in increased value developed for the Corporation's stockholders generally.

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Robert S. Silberman, the Corporation's Chairman and Chief Executive Officer, has an employment agreement with the Corporation which had an initial term of approximately three years (ending on December 31, 2004), and thereafter, automatically extends for successive one-year periods unless either the Corporation or Mr. Silberman provide timely notice to the contrary. Mr. Silberman's employment agreement currently provides for a base salary of \$600,000 per annum (subject to annual increases for at least cost of living adjustments). Mr. Silberman is also eligible to receive a target award of at least 75% of base salary, in the form of a bonus for each of the fiscal years during which he is employed, upon meeting certain individual, corporate and financial goals annually approved by the Board. In the event of termination without cause, the employment contract also provides for the payment of three years base salary and, if such termination is in connection with a change of control, an amount equal to three times the latest annual bonus award made to him under the agreement prior to the event of termination without cause.

At its February 8, 2005 meeting, the Compensation Committee recommended that the Board award Mr. Silberman a cash bonus of \$750,000 in order to reflect Mr. Silberman's superior performance and significant accomplishments during the year based on the Corporation meeting specified consolidated financial targets approved by the Board against budget and viewed in the context of his own individual goals and the Corporation's overall performance. In addition, at the Compensation Committee's February 8, 2005 meeting, the Compensation Committee authorized salary

increases and cash bonuses to other executives based on the Corporation meeting specified consolidated financial targets approved by the Board against budget and commensurate with the Compensation Committee's subjective assessment of their relative individual performance and in the context of the Corporation's overall performance.

In reviewing Mr. Silberman's compensation, the Compensation Committee first noted the Corporation had met various annual consolidated financial targets approved by the Board against budget and also subjectively considered Mr. Silberman's significant contribution to the management of the Corporation during the year, including: implementing a variety of new business development, corporate sponsorship and online expansion activities, as well as managing the Corporation's successful expansion into Georgia and South Carolina; and successfully adding new campuses in Pennsylvania and Tennessee and obtaining regulatory approval to commence operations in Florida. In the Committee's view, Mr. Silberman contributed very significantly to the Corporation, meeting the Board's annual consolidated financial goals and these various other achievements and, accordingly, the Compensation Committee believes his overall compensation was wholly justified.

#### Compensation Deductibility Policy

Under Section 162(m) of the Internal Revenue Code of 1986, as amended, and applicable Treasury regulations, no deduction is allowed for annual compensation in excess of \$1 million paid by a publicly traded corporation to its chief executive officer and four other most highly compensated officers. Under those provisions, however, there is no limitation on the deductibility of "qualified performance-based compensation." In general, the Corporation's policy is to maximize the extent of tax deductibility of executive compensation under the provisions of Section 162(m) so long as doing so is compatible with its determination as to the most appropriate methods and approaches for the design and delivery of compensation to the Corporation's executive officers.

#### Compensation Committee:

David A. Coulter, Chair  
Robert L. Johnson  
J. David Wargo

Dated: February 8, 2005

#### Other Compensation Plans

The Corporation maintains a retirement plan (the "401(k) Plan") intended to qualify under Sections 401(a) and 401(k) of the Internal Revenue Code of 1986, as amended. The 401(k) Plan is a defined

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contribution plan that covers all full-time employees of the Corporation of at least 21 years of age. Effective January 1, 2005, employees may generally contribute up to \$14,000 of their annual wages (subject to an annual limit prescribed by the Internal Revenue Code) as pretax, salary deferral contributions. The Corporation, in its discretion, matches employee contributions up to a current maximum authorized amount under the plan of 3% of annual wages (increased from 2% to 3% effective January 1, 2005). In 2004, the Corporation matched the full 2%. The Corporation also maintains an Employee Stock Purchase Plan (the "Employee Purchase Plan"). The purpose of the Employee Purchase Plan is to enable eligible full-time employees of the Corporation, through payroll deductions, to purchase shares of our common stock at a 10% discount from the prevailing market price from time to time.

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## AUDIT COMMITTEE REPORT

The Audit Committee of the Strayer Education, Inc. Board of Directors is composed of three directors, all of whom are independent, as independence is defined in Rule 4200(a)(14) of The National Association of Securities Dealers' Listing Standards and Rule 10A-3(b)(1) of the 1934 Act. The Audit Committee operates under a written charter first adopted in 2001 and subsequently revised by the Committee to reflect regulatory developments. The Audit Committee is currently composed of Messrs. Gensler (Chair), Milano and Waite. The Audit Committee has adopted a written charter, a copy of which the Corporation will provide to any person without charge, upon request. Persons wishing to make such a request should contact Sonya G. Udler, Vice President - Corporate Communications, 1100 Wilson Blvd., Suite 2500, Arlington, VA 22209, (703) 247-2500. In addition, the Audit Committee charter is available on the Corporation's website, [www.strayereducation.com](http://www.strayereducation.com). Under the Audit Committee Charter and the Committee's current policies, the Committee performs a variety of tasks, including being directly responsible for the appointment, compensation and oversight of the Corporation's independent registered public accounting firm, reviewing the Corporation's accounting policies and reviewing the Corporation's unaudited quarterly earnings releases and periodic filings with the SEC that include financial statements, and reporting to the Board of Directors.

The management of the Corporation is responsible for the Corporation's internal controls and financial reporting process and for maintaining the Corporation's compliance with applicable accounting standards. PricewaterhouseCoopers LLP, the Corporation's independent registered public accounting firm, is responsible for performing an independent audit of the Corporation's financial statements in accordance with generally accepted auditing standards and to provide a report thereon. The Committee's responsibility is to monitor and oversee these processes.

In connection with this responsibility, during 2004 the Committee met and held discussions with management and the independent registered public accounting firm four times. The Committee reviewed and discussed the audited financial statements with management. Management represented to the Committee that the Corporation's consolidated financial statements were prepared in accordance with generally accepted accounting principles, and the Committee reviewed and discussed the consolidated financial statements with management and, independently with PricewaterhouseCoopers LLP. The Committee also discussed with PricewaterhouseCoopers LLP the matters required to be discussed by Statement on Auditing Standards No. 61, as amended (Communications with Audit Committees).

During the year 2004, management completed the documentation, testing and evaluation of the Corporation's system of internal control over financial reporting in response to the requirements set forth in Section 404 of the Sarbanes-Oxley Act of 2002 and related regulations. The Audit Committee was kept apprised of the progress of the evaluation and provided oversight and advice to management during the process. In connection with this oversight, the Committee received periodic updates provided by management and PricewaterhouseCoopers LLP at each regularly scheduled Committee meeting. At the conclusion of the process, management provided the Committee with a report on the effectiveness of the Corporation's internal control over financial reporting. The Committee also reviewed the report of management contained in the Corporation's Annual Report on Form 10-K for the fiscal year ended December 31, 2004 filed with the SEC, as well as PricewaterhouseCoopers LLP's Report of Independent Registered Public Accounting Firm (included in the Corporation's Annual Report on Form 10-K). This report related to its audit of (i) the consolidated financial statements, (ii) management's assessment of the effectiveness of internal control over financial reporting, and (iii) the effectiveness of internal control over financial reporting. The Committee continues to oversee the Corporation's efforts related to its internal control over financial reporting and management's preparations for the evaluation in fiscal 2005.

The Committee has received from PricewaterhouseCoopers LLP the written disclosures and the letter required by Independence Standards Board Standard No. 1 (Independence Discussions with Audit Committees) and has discussed with PricewaterhouseCoopers LLP its independence.

Based upon the review and discussions referred to above, the Committee, consisting of the members for fiscal year ended December 31, 2004, recommended to the Board of Directors that the audited financial statements for the year 2004 be included in the Corporation's annual report on Form 10-K for

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the year ended December 31, 2004, filed with the SEC, and that PricewaterhouseCoopers LLP be retained as the Corporation's independent registered public accounting firm for fiscal year 2005.

Audit Committee:

Gary Gensler, Chair  
Todd A. Milano  
G. Thomas Waite, III

Dated: February 14, 2005

#### Employment Agreements and Change in Control Arrangements

In April 2001, the Corporation entered into an employment agreement with Mr. Silberman. The employment agreement provided for an initial three-year term, expiring on December 31, 2004, but is automatically extended for an additional year each January 1st, unless the Corporation or Mr. Silberman has given written notice by September 30 of the immediately preceding year that it or Mr. Silberman, as the case may be, does not wish to extend the term of the agreement. The agreement was extended to December 31, 2005. For his services, Mr. Silberman is entitled to receive an annual salary of at least \$600,000 plus a performance bonus based on his overall performance.

In the event that Mr. Silberman is terminated by the Corporation without cause, he is entitled to receive three years base salary and, if such termination is in connection with a change of control, an amount equal to three times his latest bonus award made to him. The agreement also contains covenants restricting Mr. Silberman from competing with the Corporation for three years after his termination of employment and requires Mr. Silberman to keep confidential the Corporation's proprietary information.

None of the Corporation's other executive officers have entered into employment agreements with the Corporation.

#### Certain Transactions with Former Management

As of December 31, 2004, the Corporation had long-term operating leases for thirty-three of its various campus and other administrative locations. The rents on these leases are all at market rates. Of these thirty-three locations, one of the Virginia campuses was in 2004 leased from a company which was wholly-owned by Mr. Ron K. Bailey, the Corporation's former President and Chief Executive Officer and former majority stockholder. Rent paid to Mr. Bailey under this operating lease (involving a total of 17,500 square feet) for the year ended December 31, 2004 totaled \$356,000. The Corporation currently believes that this campus lease with Mr. Bailey which expires in 2006 is on terms at least as favorable to the Corporation as terms reached in an arm's length transaction.

**PROPOSAL 2****Ratification of Appointment of Independent Registered Public Accounting Firm**

The Audit Committee and the Board of Directors have appointed the independent registered public accounting firm of PricewaterhouseCoopers LLP to serve as the Corporation's independent registered public accounting firm for the fiscal year ending December 31, 2005. PricewaterhouseCoopers LLP has acted as the Corporation's independent registered public accounting firm for the fiscal year ended December 31, 2004. Representatives of PricewaterhouseCoopers LLP are expected to be present at the Annual Meeting and will have an opportunity to make a statement if they desire and to respond to appropriate questions. The ratification of the appointment of PricewaterhouseCoopers LLP requires the approval of a majority of the votes cast at the Annual Meeting.

**The Board of Directors recommends a vote for the proposal to ratify the appointment of PricewaterhouseCoopers LLP as the Corporation's independent registered public accounting firm for the fiscal year ending December 31, 2005.**

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**Principal Accounting Fees and Services**

Set forth below are the services rendered and related fees billed by PricewaterhouseCoopers LLP for 2003 and 2004:

	2003	2004
<b>Audit Fees</b>		
Consolidated financial statements audit	\$ 150,980	\$ 474,368
Consent/comfort letter for filing of Form S-3	23,640(a)	45,160
Ongoing accounting and assurance advice	—	—
	174,620	519,528
<b>Tax Fees</b>		
Preparation of corporate tax returns	19,543	21,800
Other tax services	18,459	16,991
	38,002	38,791
<b>Other Services</b>		
License fee for accounting database	840	900
	\$ 213,462	\$ 559,219

(a)New Mountain Partners and other preferred shareholders agreed to reimburse the Corporation for these expenses.

It is the Audit Committee's policy to pre-approve all audit and non-audit related services provided by the Corporation's independent registered public accounting firm. All of the services described above were pre-approved by the Corporation's Audit Committee.

**PROPOSAL 3**

**Amendment of Employee Stock Option Plan to authorize 500,000 additional shares for future issuance thereunder and to extend the term of the Plan to 2020.**

This section provides a summary of the terms of the Strayer Education, Inc. 1996 Stock Option Plan, as amended (the "Option Plan"), and the proposal to approve the amendment to the Option Plan. The principal changes to the Option Plan which are proposed to be implemented by the amendment are an increase in the number of shares reserved for issuance under the Option Plan by 500,000 shares of Common Stock and the extension of the term of the Plan by nine years to 2020. At the present time, there are 48,989 shares available for issuance under the Plan and the existing term of the Plan would expire in 2011. If the proposed amendment to the Option Plan is approved, the existing limit of 2,500,000 shares of Common Stock which were previously authorized to be reserved for issuance under the Option Plan during its entire term (1996-2011) will be increased by 500,000 shares to a total of 3,000,000 shares and the Plan term will be extended by nine years to 2020. In addition, two clarifying changes are being proposed. The first clarifying change is to eliminate the sublimit on grants of restricted stock under the Plan, which is currently 20% of the overall number of shares reserved for issuance under the Plan, which would have no practical effect under the Plan at the present time since the number of shares that would be available for issuance under the Plan, if the proposed amendment is approved is currently less than the 20% sublimit on grants of restricted stock. The second clarifying change is to clarify that there would be no repricing of options under the Plan without shareholder approval. A copy of the proposed amendment to the Option plan is attached as Exhibit C to this proxy statement.

On the recommendation of the Compensation Committee of the Board, the Board of Directors has determined that it is appropriate to amend the Option Plan to add 500,000 shares as there are currently 48,989 shares remaining available for grant under the Option Plan and to extend the term of the Plan by nine years. The Board believes that equity awards in the form of options and/or restricted stock serve to

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align the interests of managers with shareholders and are an important part of our recruitment process, and periodic grants to current employees can be vital to retaining employees.

Approval of the amendment to Option Plan by stockholders to add additional shares and extend the term of the Option Plan is required by stock exchange rules and regulations. The Option Plan was last amended by the Board of Directors on April 23, 2001, and that amendment was approved by our stockholders at the 2001 annual meeting of stockholders.

On March 14, 2005, the Record Date, the closing price of our Common Stock was \$105.89 per share and a total of 14,641,955 shares of Common Stock were outstanding and there were 27 existing participants in the Option Plan and 1,081,667 outstanding options to purchase shares of Common Stock.

Set forth in the table below is information pertaining to securities authorized for issuance under our equity compensation plans. There are options but no warrants or other rights existing under these plans.

Equity Compensation Plan Information  
as of December 31, 2004

Plan Category	Number of securities to be issued upon exercise of outstanding options, warrants and rights	Weighted average exercise price of outstanding options, warrants and rights	Number of securities remaining available for future issuance
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	(a)	(b)	(c)
			under equity compensation plans (excluding securities reflected in column (a))
1. Equity compensation plans previously approved by security holders			
A. 1996 Stock Option Plan as amended at the May 2001 Annual Stockholders' Meeting	854,584	\$ 49.22	276,072
2. Equity compensation plans not previously approved by security holders	—	—	—
Total	854,584	\$ 49.22	276,072

The following stock options were granted on February 15, 2005 to the Chief Executive Officer and the other four highest compensated executive officers: Robert S. Silberman – 100,000 shares; Mark C. Brown – 25,417 shares; Lysa A. Hlavinka – 15,000 shares; Steven A. McArthur – 16,666 shares; and Kevin P. O'Reagan – 5,000 shares.

Because participation and the types of awards under the Option Plan are subject to the discretion of the Compensation Committee, the benefits or amounts that will be received by any participant or groups of participants if the Option Plan is approved are not currently determinable. In the judgment of the Board of Directors, the availability of an initial or increased grant under the Option Plan will be a valuable incentive and will benefit our stockholders by aligning more closely the interests of Option Plan participants with those of our stockholders. The affirmative vote of a majority of the shares of Common Stock voted at the Annual Meeting is required to approve the amendment to the Option Plan. Unless otherwise indicated, properly executed proxies will be voted "FOR" Proposal 3 to approve the amendment to the Option Plan.

**THE BOARD OF DIRECTORS RECOMMENDS THAT STOCKHOLDERS VOTE "FOR" APPROVAL OF THE AMENDMENT TO THE OPTION PLAN.**

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**DESCRIPTION OF THE OPTION PLAN**

A description of the terms of the Option Plan as proposed to be amended is set forth below. The following summary is qualified in its entirety by the terms of the Option Plan, a copy of which is attached as Exhibit D to this proxy statement and the terms of the proposed amendment to the Option Plan, a copy of which is attached as Exhibit C to this proxy statement.

**Purpose.** The purpose of the Option Plan is to advance our interests by providing eligible individuals an opportunity to acquire or increase a proprietary interest in the Corporation, which thereby will create a stronger incentive for those individuals to expend maximum effort for the growth and success of the Corporation, and will encourage such eligible individuals to remain in the employ of the Corporation.

**Administration.** The Option Plan is administered by the Compensation Committee of the Board of Directors. Subject to the terms of the plan, the Compensation Committee may select participants to receive awards, determine the types of awards and terms and conditions of awards, and interpret provisions of the Option Plan.

**Common Stock Reserved for Issuance under the Option Plan.** The Common Stock to be issued under the Option Plan consists of authorized but unissued shares and treasury shares, to the extent permitted by law. If any shares covered by an award are not purchased or are forfeited, or if an award otherwise terminates without delivery of any Common Stock, then the number of shares of Common Stock counted against the aggregate number of shares available under the Option Plan with respect to the award will, to the extent of any such forfeiture or termination, again be available for making awards under the Option Plan.

**Eligibility.** Awards may be made under the Option Plan to employees, consultants, officers and directors (including non-employee directors) of the Corporation or any of our affiliates, or to any other person that the Board of Directors determines is in our best interests.

**Amendment or Termination of the Option Plan.** The Board of Directors may terminate or amend the Option Plan at any time and for any reason. The Option Plan shall terminate in any event on April 23, 2011 unless extended to 2020 pursuant to the amendment. Amendments will be submitted for stockholder approval to the extent required by the Internal Revenue Code or other applicable laws, rules or regulations.

**Options.** The Option Plan permits the granting of options to purchase shares of Common Stock that are intended to qualify as incentive stock options under the Internal Revenue Code, as well as options that do not qualify as incentive stock options or that are granted to non-employee directors of the Corporation or a subsidiary.

The exercise price of each stock option may not be less than 100% of the fair market value of our Common Stock on the date of grant. The fair market value of our Common Stock is generally the closing price of the Common Stock on the NASDAQ Stock Market on the day the option is granted. In the case of certain 10% stockholders who receive incentive stock options, the exercise price may not be less than 110% of the fair market value of the Common Stock on the date of grant. An exception to these requirements is made for options that we grant in substitution for options held by employees of companies that we acquire. In such a case, the exercise price is adjusted to preserve the economic value of the employee's stock option from his or her former employer. In no event will the exercise price of an option be less than the market value of a share of Common Stock on the date of grant. However, the Option Plan has been amended to clarify that it expressly prohibits repricing outstanding options without stockholder approval.

The term of each option is fixed by the Compensation Committee and may not exceed 10 years from the date of grant. Options may be made exercisable in installments. The exercisability of options may be accelerated by the Compensation Committee. The Compensation Committee determines at what time or times each option may be exercised and the period of time, if any, after termination of employment during which options may be exercised. In general, options may be exercised for a period of one year if the grantee's termination of employment is due to the grantee's death or permanent and total disability.

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In general, a grantee may pay the exercise price of an option by cash, certified check, by tendering shares of Common Stock, or, under certain circumstances, by means of a cashless exercise.

Stock options granted under the Option Plan may not be sold, transferred, pledged or assigned other than by will or under applicable laws of descent and distribution.

**Non-Employee Director Option Grants.** The Option Plan provides that eligible directors are directors elected to serve at or after the 2001 meeting of our stockholders who are not officers or other salaried employees of us or our subsidiaries. Partners and employees of our preferred stockholders are not eligible directors. Each eligible director is granted an option to purchase 10,000 shares on the tenth (10<sup>th</sup>) trading day after the date of the first annual meeting of our stockholders following the eligible director's initial election to the Board of Directors. This award of 10,000 shares is made automatically and does not require any further Board of Director action. The option price of this award will be the average of the closing prices of the Common Stock for the first ten (10) trading days after the annual meeting increased by the interest rate on five-year treasury notes applicable on that day. The number of shares to be granted to eligible directors is subject to adjustment in the event of a stock split or other similar event.

**Other Awards.** The Option Plan provides that the Compensation Committee may also grant restricted stock, which are shares of stock subject to restrictions, conditions or other terms, to persons eligible to receive grants under the Option Plan.

**Effect of Certain Corporate Transactions.** Certain change of control transactions involving us, such as a sale of the Corporation, may cause awards granted under the Option Plan to vest, unless the awards are continued or substituted for in connection with the change of control transaction.

**Adjustments for Stock Dividends and Similar Events.** The Compensation Committee will make appropriate adjustments in outstanding awards and the number of shares available for issuance under the Option Plan, including the individual limitations on options, to reflect dividends in the form of Common Stock, stock splits and other similar events.

**Section 162(m) of the Internal Revenue Code.** Section 162(m) of the Internal Revenue Code limits publicly held companies, such as the Corporation, to an annual deduction for federal income tax purposes of \$1 million for compensation paid to their covered employees. However, performance-based compensation is excluded from this limitation. The Option Plan is designed to permit the Compensation Committee to grant options that qualify as performance-based upon satisfying the various conditions of Section 162(m).

To qualify as performance-based:

- (i) the compensation must be paid solely on account of the attainment of one or more pre-established, objective performance goals;
- (ii) the performance goal under which compensation is paid must be established by a compensation committee comprised solely of two or more directors who qualify as outside directors for purposes of the exception;
- (iii) the material terms under which the compensation is to be paid must be disclosed to and subsequently approved by stockholders of the corporation before payment is made in a separate vote; and
- (iv) the compensation committee must certify in writing before payment of the compensation that the performance goals and any other material terms were in fact satisfied.

In the case of compensation attributable to stock options, the performance goal requirement (summarized in (i) above) is deemed satisfied, and the certification requirement (summarized in (iv) above) is inapplicable, if the grant or award is made by the Compensation Committee; the plan under which the option is granted states the maximum number of shares with respect to which options may be granted during a specified period to an employee; and under the terms of the option, the amount of compensation is based solely on an increase in the value of the common stock after the date

of grant. The maximum number of shares of Common Stock subject to options that can be awarded under the Option Plan to any person is 350,000 shares per year.

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## FEDERAL INCOME TAX CONSEQUENCES

**Incentive Stock Options.** The grant of an option will not be a taxable event for the grantee or for us. A grantee will not recognize taxable income upon exercise of an incentive stock option (except that the alternative minimum tax may apply), and any gain realized upon a disposition of the Common Stock received pursuant to the exercise of an incentive stock option will be taxed as long-term capital gain if the grantee holds the shares of Common Stock for at least two years after the date of grant and for one year after the date of exercise (the "holding period requirement"). We will not be entitled to any business expense deduction with respect to the exercise of an incentive stock option, except as discussed below. For the exercise of an option to qualify for the foregoing tax treatment, the grantee generally must be our employee or an employee of one of our subsidiaries from the date the option is granted through a date within three months before the date of exercise of the option.

If all of the foregoing requirements are met except the holding period requirement mentioned above, the grantee will recognize ordinary income upon the disposition of the Common Stock in an amount generally equal to the excess of the fair market value of the Common Stock at the time the option was exercised over the option exercise price (but not in excess of the gain realized on the sale). The balance of the realized gain, if any, will be capital gain. We will be allowed a business expense deduction to the extent the grantee recognizes ordinary income, subject to our compliance with Section 162(m) of the Internal Revenue Code and to certain reporting requirements.

**Non-Qualified Options.** The grant of an option will not be a taxable event for the grantee or for us. Upon exercising a non-qualified option, a grantee will recognize ordinary income in an amount equal to the difference between the exercise price and the fair market value of the Common Stock on the date of exercise. Upon a subsequent sale or exchange of shares acquired pursuant to the exercise of a non-qualified option, the grantee will have taxable gain or loss, measured by the difference between the amount realized on the disposition and the tax basis of the shares of Common Stock (generally, the amount paid for the shares plus the amount treated as ordinary income at the time the option was exercised).

If we comply with applicable reporting requirements and with the restrictions of Section 162(m) of the Internal Revenue Code, we will be entitled to a business expense deduction in the same amount and generally at the same time as the grantee recognizes ordinary income.

**Restricted Stock.** A grantee who is awarded restricted stock will not recognize any taxable income for federal income tax purposes in the year of the award, provided that the shares of Common Stock are subject to restrictions (that is, the restricted stock is nontransferable and subject to a substantial risk of forfeiture). However, the grantee may elect under Section 83(b) of the Internal Revenue Code to recognize compensation income in the year of the award in an amount equal to the fair market value of the Common Stock on the date of the award, determined without regard to the restrictions. If the grantee does not make such a Section 83(b) election, the fair market value of the Common Stock on the date the restrictions lapse will be treated as compensation income to the grantee and will be taxable in the year the restrictions lapse. If we comply with applicable reporting requirements and subject to the restrictions of Section 162(m) of the Internal Revenue Code, we will be entitled to a business expense deduction in the same amount and generally at the same time as the grantee recognizes ordinary income. Dividends, if any, paid on restricted stock in the absence of a timely Section 83(b) election are taxed as compensation income, subject to withholding taxes.

**THE BOARD OF DIRECTORS BELIEVES THAT APPROVAL OF THE AMENDMENT TO THE OPTION PLAN IS IN THE BEST INTERESTS OF ALL STOCKHOLDERS AND, ACCORDINGLY, RECOMMENDS A VOTE FOR PROPOSAL 3.**

Stockholder Proposals

All stockholder proposals intended to be presented at the 2006 Annual Meeting of Stockholders must be received by the Corporation no later than November 28, 2005 and must otherwise comply with rules of the SEC for inclusion in the Corporation's proxy statement and form of proxy relating to the meeting.

SEC rules also establish a different deadline for submission of stockholder proposals that are not intended to be included in the Corporation's proxy statement with respect to discretionary voting. The

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discretionary voting deadline for the Corporation's 2006 Annual Meeting is February 11, 2006. If a stockholder gives notice of such a proposal after the discretionary voting deadline, the Corporation's proxy holders will be allowed to use their discretionary voting authority to vote against the stockholder proposal when and if the proposal is raised at the Corporation's 2006 Annual Meeting of Stockholders.

Other Matters

The Corporation knows of no other matters to be presented for action at the Annual Meeting other than those mentioned above. However, if any other matters should properly come before the meeting, it is intended that the persons named in the accompanying proxy card will vote on such matters in accordance with their best judgment.

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**Exhibit A**

REVOCABLE PROXY

STRAYER EDUCATION, INC.

ANNUAL MEETING OF STOCKHOLDERS TO BE HELD ON MAY 3, 2005

THIS PROXY IS BEING SOLICITED ON BEHALF OF THE BOARD OF DIRECTORS

The undersigned stockholder hereby appoints Robert S. Silberman, Steven A. McArthur and Mark C. Brown or any of them, attorneys and proxies of the undersigned, with full power of substitution and with authority in each of them to act in the absence of the other, to vote for the undersigned at the Annual Meeting of Stockholders of the Corporation

to be held on Tuesday, May 3, 2005 at 8:30 a.m. (Eastern time) at the Strayer University campus located at 1133 15<sup>th</sup> Street, N.W., 3<sup>rd</sup> floor, Room 322, Washington, DC, and at any adjournments thereof, in respect of all shares of the Common Stock of the Corporation which the undersigned may be entitled to vote, on the following matters:

**PLEASE MARK, SIGN AND DATE THIS PROXY AND RETURN IT PROMPTLY TO ENSURE A QUORUM AT THE MEETING. IT IS IMPORTANT WHETHER YOU OWN FEW OR MANY SHARES. DELAY IN RETURNING YOUR PROXY MAY SUBJECT THE CORPORATION TO ADDITIONAL EXPENSE.**

(Continued and to be signed on the reverse side)

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ANNUAL MEETING OF STOCKHOLDERS OF  
STRAYER EDUCATION, INC.

MAY 3, 2005

Please sign, date and mail your proxy card in the envelope provided as soon as possible.

Please detach along perforated line and mail in the envelope provided.

THE BOARD OF DIRECTORS RECOMMENDS A VOTE "FOR" THE ELECTION OF DIRECTORS AND "FOR" PROPOSALS 2 and 3.

PLEASE SIGN, DATE AND RETURN PROMPTLY IN THE ENCLOSED ENVELOPE. PLEASE MARK YOUR VOTE IN BLUE OR BLACK INK AS SHOWN HERE

1. Election of eleven Directors by all Common Stockholders:

2. Proposal to ratify the appointment of PricewaterhouseCoopers LLP as the independent registered public accounting firm for the Corporation.

FORAGAINST ABSTAIN

3. Proposal to amend the Employee Stock Option Plan.

FORAGAINST ABSTAIN

**NOMINEES:**

FOR ALL NOMINEES WITHHOLD AUTHORITY  
O Robert S. Silberman  
O Dr. Charlotte F. Beason  
O William E. Brock  
O David A. Coulter

**This proxy, when properly executed, will be voted as directed herein by the undersigned shareholder. However, if no direction is given, this proxy will be voted FOR the election of nominated directors, FOR the ratification of the appointment of PricewaterhouseCoopers LLP as the**

FOR ALL NOMINEES  
FOR ALL  
EXCEPT  
(See instructions below)  
O Gary Gensler  
O Robert R. Grusky  
O Robert L. Johnson  
O Steven B. Klinsky  
O Todd A. Milano  
O G. Thomas Waite III  
O J. David Wargo

**Corporation's independent registered public accounting firm, and FOR the amendment of the Employee Stock Option Plan and on other matters in the discretion of the proxyholder as he may deem advisable.**

**INSTRUCTION:** To withhold authority to vote for any individual nominee(s), mark "**FOR ALL EXCEPT**" and fill in the circle next to each nominee you wish to withhold, as shown here: •

The undersigned hereby acknowledges prior receipt of a copy of the Notice of Annual Meeting of Stockholders and proxy statement dated March 28, 2005, and hereby revokes any proxy or proxies heretofore given. This Proxy may be revoked at any time before it is voted by delivering to the Secretary of the Corporation either a written revocation of proxy or a duly executed proxy bearing a later date, or by appearing at the Annual Meeting and voting in person.

To change the address on your account, please check the box at right and indicate your new address in the address space above. Please note that changes to the registered name(s) on the account may not be submitted via this method.

If you receive more than one proxy card, please sign and return all cards in the accompanying envelope.

**Please mark, sign and date this proxy and return it to ensure a quorum at the meeting. It is important whether or not you own few or many shares. Delay in returning your proxy may subject the corporation to additional expenses.**

Signature of Stockholder: \_\_\_\_\_ Date: \_\_\_\_\_ Signature of Stockholder: \_\_\_\_\_ Date: \_\_\_\_\_  
**Note:** Please sign exactly as your name or names appear on this Proxy. When shares are held jointly, each holder should sign. When signing as executor, administrator, attorney, trustee or guardian, please give full title as such. If the signer is a corporation, please have a duly authorized officer sign full corporate name, giving full title as such. If signer is a partnership, please have an authorized person sign in partnership name.

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Exhibit B

STRAYER EDUCATION, INC.

AUDIT COMMITTEE CHARTER

Purpose

The Audit Committee of the Board of Directors shall perform a variety of tasks as described herein, including being directly responsible for the appointment, compensation and oversight of the Company's independent auditors, reviewing the Company's accounting policies and reviewing the Company's unaudited quarterly earnings releases and periodic filings with the Securities and Exchange Commission ("SEC") that include financial statements, and reporting to the Board of Directors. The Committee shall also monitor (1) the integrity of the financial statements of the Company, (2) the Company's compliance with accounting, legal and regulatory requirements and (3) the independence and performance of the Company's external auditors including the annual audit of the Company's consolidated financial statements; and (4) the effective functioning and performance of the Company's internal audit functions.

Composition

The membership of the Audit Committee shall consist of at least three members of the Board of Directors, who shall serve at the pleasure of the Board of Directors and be designated by the full Board of Directors, and who shall meet the following criteria:

1. Each member of the Audit Committee must be an independent director within the meaning of the applicable rules of the NASDAQ or any other securities exchange on which the company's securities are traded, as well as applicable SEC rules.
2. Each member of the Audit Committee must be able to read and understand fundamental financial statements, including the company's balance sheet, income statement, and cash flow statement.
3. At least one member of the Audit Committee shall have past employment experience in finance or accounting, requisite professional certification in accounting, or other comparable experience or knowledge which results in the individual's financial sophistication, and accordingly shall be designated by the Board of Directors of the Company as the Committee's financial expert.

#### Duties

The Audit Committee, in addition to the primary responsibilities set forth under "Purpose" above shall:

1. Make regular reports to the Board of Directors.
2. Review and reassess the adequacy of this Charter annually and recommend any proposed changes to the Board of Directors for approval.
3. Review the annual audited financial statements with management and the Company's independent auditors, including major issues regarding accounting and auditing principles and practices, including accounting policies and the use of significant estimates, as well as the Company's system of internal controls.
4. Determine whether to recommend to the Board of Directors that the annual audited financial statements be included in the Company's annual report on Form 10-K.
5. Review with management and the Company's independent auditors any significant financial reporting issues raised by them in connection with the preparation of the Company's financial statements.
6. Review proposed major changes to the Company's auditing and accounting principles and practices that are brought to the attention of the Audit Committee by independent auditors, internal auditors or management.

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7. Recommend to the Board of Directors the adoption of a Code of Business Conduct, setting forth rules and standards for the conduct of the Company's business, including without limitation, internal control procedures, proper accounting and regulatory compliance procedures, conflict of interest, confidentiality and insider trading requirements and a mechanism and process for reporting, investigating and resolving complaints regarding Code violations, and monitor the Company's performance under such Code and suggest any applicable modifications to such Code.
  8. Confirm and assure the independence of the independent auditors by:



- a. Obtaining from the independent auditors a formal written statement delineating all relationships between the independent auditors and the Company, consistent with Independence Standards Board Standard 1.
  - b. Actively engaging in a dialogue with the independent auditors with respect to any disclosed relationships or services that may impact the objectivity and independence of the independent auditors.
  - c. Taking appropriate action to oversee the independence of the independent auditors.
9. Review the performance of the independent auditors and, if so determined by the Audit Committee, replace the independent auditors.
  10. Review accounting and financial human resources and succession planning with the Company, and the appointment and replacement of the senior internal auditing executive, if any.
  11. Review any significant reports to management prepared by the internal auditing department, if any, and management's responses.
  12. Meet with the independent auditors prior to the audit to review the planning and staffing of the audit.
  13. Discuss with the independent auditors the matters required to be discussed by Statements on Auditing Standards Nos. 61 and 90 relating to the conduct of the audit.
  14. Review with the independent auditors any management letter provided by the auditors and management's response to that letter.
  15. Prepare and/or review the report required by the rules of the Securities and Exchange Commission to be included in the Company's annual proxy statement.
  16. Review the Company's internal controls and policies and procedures regarding compliance with applicable laws and regulations and monitor the Company's compliance with the Company's Code of Business Conduct and oversee the Company's investigation and response to complaints of Code violations.
  17. Review with counsel legal matters that are brought to the Audit Committee's attention and that may have a material impact on the financial statements, the Company's compliance policies and material reports or inquiries received from regulatory bodies.
  18. Meet at least annually with the chief financial officer, the senior internal auditing executive, if any, and the independent auditor in separate executive sessions.

#### Powers

The Audit Committee shall have the power to appoint, compensate and replace the Company's independent auditors, to approve audits, accounting policies, financial disclosures and SEC filings, to adopt and modify a Company Code of Business Conduct and other internal control and compliance policies, and to conduct or authorize investigations into any matters within the committee's scope of responsibilities. The Audit Committee shall be empowered to retain independent counsel, accountants, or others to assist it in the conduct of any investigation. The Audit Committee may ask members of management or others to attend its meetings and provide pertinent information as necessary.

#### Relationship with Auditors and Board of Directors

The Company's independent auditors are ultimately accountable to the Board of Directors of the Company and to the Audit Committee, as representatives of the stockholders of the Company. The Board of Directors and the Audit Committee, as representatives of the Company's stockholders, have ultimate authority and responsibility to select, evaluate, and, where appropriate, replace the independent auditors. While the Audit Committee has the responsibilities and powers set forth in this Charter, it is not the duty of the Audit Committee to plan or conduct audits or to determine that the Company's financial statements are complete and accurate and are in accordance with generally accepted accounting principles. This is the responsibility of management and independent auditors. Nor is it the duty of the Audit Committee to conduct investigations, to resolve disagreements, if any, between management and independent auditors or to assure compliance with laws and regulations and the Company's code of conduct.

Amended: May 4, 2004

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#### Exhibit C

#### PROPOSED AMENDMENT TO THE 1996 STOCK OPTION PLAN, AS LAST AMENDED AND RESTATED ON APRIL 23, 2001

The Strayer Education, Inc. 1996 Stock Option Plan (the "Plan") is hereby amended to (i) increase the number of shares of Company Common Stock reserved for issuance thereunder by 500,000 shares (increasing the existing limit for the entire term of the plan since 1996 until it expires from 2,500,000 shares to 3,000,000 shares), (ii) to extend the term of the Plan from 2011 to 2020, and (iii) to make certain other clarifying revisions of the Plan, effective as of the date of adoption (the "Adoption Date") of this Amendment by the Board of Directors of Strayer Education, Inc. (the "Corporation"), but subject to approval of this Amendment by the stockholders of the Corporation at the May 2005 Annual Meeting, as provided below:

1. Section 3 of the Plan is hereby amended as follows:

The existing reference to the aggregate limit of "2,500,000 shares" that may be issued pursuant to awards under the Plan in Section 3 is hereby amended to read "3,000,000 shares", and the clause "provided further that no more than twenty percent (20%) of the shares of stock may be issued pursuant to the grant of "Restricted Stock" is hereby deleted.

2. Section 5.2 of the Plan is hereby amended as follows:

The existing reference to a Plan termination date of "April 23, 2011" is amended to read "April 23, 2020".

3. Section 19 of the Plan is hereby amended by adding a new sentence at the end to read as follows:

"In addition, no amendment or modification may be made to an outstanding option or a stock appreciation right ("SAR") which reduces the option exercise price or SAR exercise price, either by lowering the option exercise price or SAR exercise price or by canceling the outstanding option or SAR and granting a replacement option or SAR with a lower exercise price without

the approval of the stockholders of the Company, provided, that, this shall not preclude the appropriate adjustments to outstanding options and SARs in connection with a corporate transaction such as a stock split.

4. The Plan shall otherwise be unchanged by this Amendment.
5. This Amendment is adopted subject to approval within one year of the Adoption Date at a meeting of the Corporation's stockholders at which a quorum is present by a vote of a majority of the shares present at such meeting in person or by proxy and entitled to vote thereon. If the stockholders fail to approve this Amendment within one year of the Adoption Date, no awards may be granted under the Plan covering shares of stock in excess of the number permitted under the Plan as in effect before the Adoption Date and the term of the Plan will expire at the termination date as in effect before the Adoption Date.

\* \* \*

The foregoing Amendment to the Plan was duly adopted and approved by the Board of Directors of the Corporation by resolution at a meeting held on February 15, 2005, subject to approval of the Amendment by stockholders of the Corporation at the May 2005 Annual Meeting.

\_\_\_\_\_  
Secretary

The foregoing Amendment to the Plan was duly adopted by the stockholders of the Corporation at a meeting held on May 3, 2005.

\_\_\_\_\_  
Secretary

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## EXHIBIT D

AMENDED  
STRAYER EDUCATION, INC.  
1996 STOCK OPTION PLAN  
April 23, 2001

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AMENDED

STRAYER EDUCATION, INC.

1996 STOCK OPTION PLAN

STRAYER EDUCATION, INC., a Maryland corporation (the "Corporation"), sets forth herein the terms of the 1996 Stock Option Plan, as amended as of April 23, 2001 (the "Plan") as follows:

1. PURPOSE

The Plan is intended to advance the interests of the Corporation by providing eligible individuals (as designated pursuant to Section 4 hereof) an opportunity to acquire or increase a proprietary interest in the Corporation, which thereby will create a stronger incentive to expend maximum effort for the growth and success of the Corporation and its subsidiaries and will encourage such eligible individuals to remain in the employ of the Corporation or that of one or more of its subsidiaries. Each stock option granted under the Plan (an "Option") is intended to be an "incentive stock option" ("Incentive Stock Option") within the meaning of Section 422 of the Internal Revenue Code of 1986, or the corresponding provision of any subsequently enacted tax statute, as amended from time to time (the "Code"), except (a) to the extent that any such Option would exceed the limitations set forth in Section 7 hereof, (b) for Options specifically designated at the time of grant as not being "incentive stock options" and (c) for Options granted to directors who are not officers or other employees of the Corporation or any subsidiary.

2. ADMINISTRATION

2.1. Board

The Plan shall be administered by the board of directors of the Corporation (the "Board"), which shall have the full power and authority to take all actions and to make all determinations required or provided for under the Plan or any Award granted or Award Agreement entered into hereunder and all such other actions and determinations not inconsistent with the specific terms and provisions of the Plan deemed by the Board to be necessary or appropriate to the administration of the Plan or any Award granted or Award Agreement entered into hereunder. The interpretation and construction by the Board of any provision of the Plan or of any Award granted or Award Agreement entered into hereunder shall be final and conclusive. For purposes of the Plan an Award shall mean the grant of an Option or Restricted Stock and an Award Agreement shall mean an Option Agreement (as defined in Section 8) or a Restricted Stock Agreement (as defined in Section 15).

2.2. Committee

The Board may from time to time appoint a Stock Option Committee (the "Committee") which may, in the discretion of the Board, be the Compensation Committee of the Board. The Board, in its sole discretion, may provide that the role of the Committee shall be limited to making recommendations to the Board concerning any determinations to be made and actions to be taken by the Board pursuant to or with respect to the Plan, or the Board may delegate to the Committee such powers and authorities related to the administration of the Plan, as set forth in Section 2.1 hereof, as the Board shall determine, consistent with the Certificate of Incorporation and Bylaws of the Corporation and applicable law. In the event that the Plan or any Award granted or Award Agreement entered into hereunder provides

for any action to be taken by or determination to be made by the Board, such action may be taken by or such determination may be made by the Committee if the power and authority to do so has been delegated to the Committee by the Board as provided for in this Section 2.2. Unless otherwise expressly determined by the Board, any such action or determination by the Committee shall be final and conclusive.

### 2.3. No Liability

No member of the Board or of the Committee shall be liable for any action or determination made, or any failure to take or make an action or determination, in good faith with respect to the Plan or any Award granted or Award Agreement entered into hereunder.

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## 3. STOCK

The stock that may be issued pursuant to Awards granted under the Plan shall be shares of Common Stock of the Corporation (the "Stock"), which shares may be treasury shares or authorized but unissued shares. The number of shares of Stock that may be issued pursuant to Awards granted under the Plan shall not exceed in the aggregate two million five hundred thousand (2,500,000) shares of Stock, which number of shares is subject to adjustment as provided in Section 20 hereof; provided further that no more than twenty percent (20%) of the shares of Stock may be issued pursuant to the grant of Restricted Stock. If any Award is forfeited, expires, terminates or is terminated for any reason prior to exercise in full, the shares of Stock that were subject to the unexercised or forfeited portion of such Award shall be available for future Awards granted under the Plan.

## 4. ELIGIBILITY

Awards may be granted under the Plan to any: (i) officer or employee of the Corporation or any "subsidiary corporation" thereof within the meaning of Section 424(f) of the Code (a "Subsidiary"), (ii) director (including a non-employee director), (iii) consultant, or (iv) other person determined to be in the best interests of the Corporation as the Board shall determine and designate from time to time prior to expiration or termination of the Plan. An individual may hold more than one Award, subject to such restrictions as are provided herein.

## 5. EFFECTIVE DATE AND TERM

### 5.1. Effective Date

The Plan shall become effective as of the date of adoption by the Board, subject to stockholders' approval of the Plan within one year of such effective date; provided, however, that upon approval of the Plan by the stockholders of the Corporation, all Awards granted under the Plan on or after the effective date shall be fully effective as if the stockholders of the Corporation had approved the Plan on the effective date. If the stockholders fail to approve the Plan within one year of such effective date, any Awards granted hereunder shall be null, void and of no effect.

### 5.2. Term

The Plan shall terminate on April 23, 2011.

## 6. GRANT OF OPTIONS

## 6.1. General

The Plan shall become effective as of the date of adoption by the Board. Subject to the terms and conditions of the Plan, the Board may, at any time and from time to time prior to the date of termination of the Plan, grant to such eligible individuals as the Board may determine ("Optionees") Options to purchase such number of shares of the Stock on such terms and conditions as the Board may determine, including any terms or conditions which may be necessary to qualify such Options as "incentive stock options" under Section 422 of the Code. Without limiting the foregoing, the Board may at any time, with the consent of the Optionee, amend the terms of outstanding Options or issue new Options in exchange for the surrender and cancellation of outstanding Options. The date on which the Board approves the grant of an Option (or such later date as is specified by the Board) shall be considered the date on which such Option is granted. The maximum number of shares of Stock subject to Options that can be awarded under the Plan to any person in a single calendar year is 350,000 shares; which number shall be subject to adjustment in accordance with Section 20.

## 6.2. Eligible Directors (Non-Employee Directors)

For purposes of this Section 6.2 an "Eligible Director" means a person elected to serve on the Board at or after the 2001 meeting of the Corporation's stockholders who is not an officer or other salaried

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employee of the Corporation or any Subsidiary; provided, that, partners and employees of preferred stockholders of the Corporation shall not be Eligible Directors. Each Eligible Director shall be granted an Option to purchase 10,000 shares on the 10th trading day after the date of the first annual meeting of the Corporation's stockholders following the Eligible Director's initial election to the Board. This Award of 10,000 shares shall be made automatically and shall not require any further Board action. The Option Price of this Award shall be the average of the closing prices of the Corporation's Stock for the first 10 trading days after the annual meeting multiplied by the sum of one (1) plus the interest rate on five year treasury notes applicable on that day. The foregoing number of shares shall be subject to adjustment pursuant to Section 20 below.

## 7. LIMITATION ON INCENTIVE STOCK OPTIONS

An Option (other than an Option described in Section 1(b) hereof) shall constitute an Incentive Stock Option only to the extent that the aggregate fair market value (determined at the time the Option is granted) of the Stock with respect to which Incentive Stock Options are exercisable for the first time by any Optionee during any calendar year (under the Plan and all other plans of the Optionee's employer corporation and its parent and subsidiary corporations within the meaning of Section 422(d) of the Code) does not exceed \$100,000. This limitation shall be applied by taking Options into account in the order in which such Options were granted.

## 8. OPTION AGREEMENTS

All Options granted pursuant to the Plan shall be evidenced by written agreements ("Option Agreements") to be executed by the Corporation and the Optionee, in such form or forms as the Board shall from time to time determine. Option Agreements covering Options granted from time to time or at the same time need not contain similar provisions; provided, however, that all such Option Agreements shall comply with all terms of the Plan and any applicable employment agreement.

## 9. OPTION PRICE

The purchase price of each share of the Stock subject to an Option (the "Option Price") shall be fixed by the Board, shall be not less than the fair market value of a share of the Stock covered by the Option and shall be stated in each Option Agreement. In the case of an Option that is intended to constitute an Incentive Stock Option, the Option Price shall be not less than the fair market value of a share of the Stock covered by the Option; provided, however, that in the event the Optionee would otherwise be ineligible to receive an Incentive Stock Option by reason of the provisions of Sections 422(b)(6) and 424(d) of the Code (relating to stock ownership of more than 10 percent), the Option Price of an Option which is intended to be an Incentive Stock Option shall be not less than the greater of par value or 110 percent of the fair market value of a share of the Stock covered by the Option at the time such Option is granted.

In the event that the Stock is listed on an established national or regional stock exchange, is admitted to quotation on the National Association of Securities Dealers Automated Quotation System, or is publicly traded in an established securities market, in determining the fair market value of the Stock, the Board shall use the closing price of the Stock on such exchange or system or in such market (the highest such closing price if there is more than one such exchange or market) on the date the Option is granted (or, if there is no such closing price, then the Board shall use the mean between the highest bid and lowest asked prices or between the high and low prices on such date), or, if no sale of the Stock has been made on such day, on the next preceding day on which any such sale shall have been made.

## 10. TERM AND EXERCISE OF OPTIONS

### 10.1. Term

Each Option granted under the Plan shall terminate and all rights to purchase shares thereunder shall cease upon the expiration of 10 years from the date such Option is granted, or on such date prior thereto

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as may be fixed by the Board and stated in the Option Agreement relating to such Option; provided, however, that in the event the Optionee would otherwise be ineligible to receive an Incentive Stock Option by reason of the provisions of Sections 422(b)(6) and 424(d) of the Code (relating to stock ownership of more than 10 percent), an Option granted to such Optionee which is intended to be an Incentive Stock Option shall in no event be exercisable after the expiration of five years from the date it is granted.

### 10.2. Exercise by Optionee

Only the Optionee receiving an Option (or, in the event of the Optionee's legal incapacity or incompetency, the Optionee's guardian or legal representative, and in the case of the Optionee's death, the Optionee's estate) may exercise the Option.

### 10.3. Option Period and Limitations on Exercise

Each Option granted under the Plan shall be exercisable in whole or in part at any time and from time to time over a period commencing on or after the date of grant of the Option and ending upon the expiration or termination of the Option, as the Board shall determine and set forth in the Option Agreement relating to such Option. Without limitation of the foregoing, the Board, subject to the terms and conditions of the Plan, may in its sole discretion provide that an Option may not be exercised in whole or in part for any period or periods of time during which such Option is



outstanding as the Board shall determine and set forth in the Option Agreement relating to such Option. Any such limitation on the exercise of an Option contained in any Option Agreement may be rescinded, modified or waived by the Board, in its sole discretion, at any time and from time to time after the date of grant of such Option, so as to accelerate the time at which the Option may be exercised. Notwithstanding any other provisions of the Plan, no Option shall be exercisable in whole or in part prior to the date the Plan is approved by the stockholders of the Corporation as provided in Section 5.1 hereof.

#### 10.4. Method of Exercise

An Option that is exercisable hereunder may be exercised by delivery to the Corporation on any business day, at its principal office addressed to the attention of the Board, of written notice of exercise, which notice shall specify the number of shares for which the Option is being exercised, and shall be accompanied by payment in full of the Option Price of the shares for which the Option is being exercised. Payment of the Option Price for the shares of Stock purchased pursuant to the exercise of an Option shall be made, as determined by the President and set forth in the Option Agreement pertaining to an Option, (a) in cash or by certified check payable to the order of the Corporation; (b) through the tender to the Corporation of shares of Stock, which shares shall be valued, for purposes of determining the extent to which the Option Price has been paid thereby, at their fair market value (determined in the manner described in Section 9 hereof) ("Fair Market Value") on the date of exercise; or (c) by a combination of the methods described in Sections 10.4(a) and 10.4 (b) hereof; provided, however, that the Board may in its discretion impose and set forth in the Option Agreement pertaining to an Option such limitations or prohibitions on the use of shares of Stock to exercise Options as it deems appropriate. Payment in full of the Option Price need not accompany the written notice of exercise provided the notice directs that the Stock certificate or certificates for the shares for which the Option is exercised be delivered to a licensed broker acceptable to the Corporation as the agent for the individual exercising the Option and, at the time such Stock certificate or certificates are delivered, the broker tenders to the Corporation cash (or cash equivalents acceptable to the Corporation) equal to the Option Price; provided, further, that additional shares of Stock may be withheld upon a broker-assisted cashless exercise for the purpose of paying withholding taxes in accordance with Section 21. An attempt to exercise any Option granted hereunder other than as set forth above shall be invalid and of no force and effect.

Promptly after the exercise of an Option and the payment in full of the Option Price of the shares of Stock covered thereby, the individual exercising the Option shall be entitled to the issuance of a Stock certificate or certificates evidencing such individual's ownership of such shares. A separate Stock certificate or certificates shall be issued for any shares purchased pursuant to the exercise of an Option

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which is an Incentive Stock Option, which certificate or certificates shall not include any shares which were purchased pursuant to the exercise of an Option which is not an Incentive Stock Option. An individual holding or exercising an Option shall have none of the rights of a stockholder until the shares of Stock covered thereby are fully paid and issued to such individual and, except as provided in Section 20 hereof, no adjustment shall be made for dividends or other rights for which the record date is prior to the date of such issuance.

#### 11. TRANSFERABILITY OF OPTIONS

No Option shall be assignable or transferable by the Optionee to whom it is granted, other than by will or the laws of descent and distribution.

## 12. TRANSFERABILITY OF STOCK PURCHASED PURSUANT TO INCENTIVE STOCK OPTION

An Optionee shall be required to give notice to the Corporation if Stock acquired pursuant to an Incentive Stock Option is sold, pledged, assigned, transferred or otherwise disposed of by the Optionee within two years from the date of grant of such Incentive Stock Option or within one year after the transfer of such Stock to the Optionee; provided, however, that a transfer to a trustee, receiver, or other fiduciary in any insolvency proceeding, as described in Section 422(c)(3) of the Code shall not be deemed to be such a disposition.

## 13. TERMINATION OF EMPLOYMENT

The Board may provide, by inclusion of appropriate language in any Option Agreement or applicable employment agreement, that an Optionee may (subject to the general limitations on exercise set forth in Section 10.3 hereof), in the event of termination of employment of the Optionee with the Corporation or a Subsidiary, exercise an Option, in whole or in part, at any time subsequent to such termination of employment and prior to termination of the Option pursuant to Section 10.2 hereof, either subject to or without regard to any installment limitation on exercise imposed pursuant to Section 10.3 hereof, as the Board, in its sole and absolute discretion, shall determine and set forth in the Option Agreement. Whether a leave of absence or leave on military or government service shall constitute a termination of employment for purposes of the Plan shall be determined by the Board, which determination shall be final and conclusive. For purposes of the Plan only and unless otherwise stated in the applicable Award Agreement, an Optionee's change in position or duties shall not result in interrupted or terminated employment, so long as such Grantee continues to be an employee, officer, director of, or consultant to the Corporation or a Subsidiary.

## 14. RIGHTS IN THE EVENT OF DEATH OR DISABILITY

### 14.1. Death

If an Optionee dies while employed by the Corporation or a Subsidiary or within the period following the termination of employment during which the Option is exercisable under Section 13 or 14.2 hereof, the executors, administrators, legatees or distributees of such Optionee's estate shall have the right (subject to the general limitations on exercise set forth in Section 10.3 hereof), at any time within one year after the date of such Optionee's death and prior to termination of the Option pursuant to Section 10.1 hereof, to exercise any Option held by such Optionee at the date of such Optionee's death, to the extent such Option was exercisable immediately prior to such Optionee's death; provided, however, that the Board may provide by inclusion of appropriate language in any Option Agreement or applicable employment agreement that, in the event of the death of an Optionee, the executors, administrators, legatees or distributees of such Optionee's estate may exercise an Option (subject to the general limitations on exercise set forth in Section 10.3 hereof), in whole or in part, at any time subsequent to such Optionee's death and prior to termination of the Option pursuant to Section 10.1 hereof, either subject to or without regard to any installment limitation on exercise imposed pursuant to Section 10.3 hereof, as the Board, in its sole and absolute discretion, shall determine and set forth in the Option Agreement.

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### 14.2. Disability

If an Optionee terminates employment with the Corporation or a Subsidiary by reason of the "permanent and total disability" (within the meaning of Section 22(e) (3) of the Code) of such Optionee, then such Optionee shall have the right (subject to the general limitations on exercise set forth in Section 10.3 hereof), at any time within one year after

such termination of employment and prior to termination of the Option pursuant to Section 10.1 hereof, to exercise, in whole or in part, any Option held by such Optionee at the date of such termination of employment, to the extent such Option was exercisable immediately prior to such termination of employment; provided, however, that the Board may provide, by inclusion of appropriate language in any Option Agreement or applicable employment agreement, that an Optionee may (subject to the general limitations on exercise set forth in Section 10.3 hereof), in the event of the termination of employment of the Optionee with the Corporation or a Subsidiary by reason of the "permanent and total disability" (within the meaning of Section 22(e)(3) of the Code) of such Optionee, exercise an Option, in whole or in part, at any time subsequent to such termination of employment and prior to termination of the Option pursuant to Section 10.1 hereof, either subject to or without regard to any installment limitation on exercise imposed pursuant to Section 10.3 hereof, as the Board, in its sole and absolute discretion, shall determine and set forth in the Option Agreement. Whether a termination of employment is to be considered by reason of "permanent and total disability" for purposes of the Plan shall be determined by the Board, which determination shall be final and conclusive.

## 15. RESTRICTED STOCK

### 15.1. Grant of Restricted Stock

The Board may from time to time grant shares of Stock subject to restrictions ("Restricted Stock") to persons eligible to receive Awards under Section 4 hereof ("Grantees"), subject to such restrictions, conditions and other terms, if any, as the Board may determine. Awards of Restricted Stock may be made for no consideration (other than par value of the shares which is deemed paid by services already rendered).

### 15.2. Restrictions.

At the time a grant of Restricted Stock is made, the Board may, in its sole discretion, establish a period of time (a "restricted period") applicable to such Restricted Stock. Each Award of Restricted Stock may be subject to a different restricted period. The Board may, in its sole discretion, at the time a grant of Restricted Stock is made, prescribe restrictions in addition to or other than the expiration of the restricted period, including the satisfaction of corporate or individual performance objectives. Restricted Stock may not be sold, transferred, assigned, pledged or otherwise encumbered or disposed of during the restricted period or prior to the satisfaction of any other restrictions prescribed by the Board with respect to such Restricted Stock.

### 15.3. Restricted Stock Certificates.

The Corporation shall issue, in the name of each Grantee to whom Restricted Stock has been granted, stock certificates representing the total number of shares of Restricted Stock granted to the Grantee, as soon as reasonably practicable after the Grant Date. The Board may provide in an Award Agreement that either (i) the Secretary of the Corporation shall hold such certificates for the Grantee's benefit until such time as the Restricted Stock is forfeited to the Corporation or the restrictions lapse, or (ii) such certificates shall be delivered to the Grantee, provided, however, that such certificates shall bear a legend or legends that comply with the applicable securities laws and regulations and makes appropriate reference to the restrictions imposed under the Plan and the Award Agreement.

### 15.4. Rights of Holders of Restricted Stock.

Unless the Board otherwise provides in an Award Agreement, holders of Restricted Stock shall have the right to vote such Stock and the right to receive any dividends declared or paid with respect to such

Stock. The Board may provide that any dividends paid on Restricted Stock must be reinvested in shares of Stock, which may or may not be subject to the same vesting conditions and restrictions applicable to such Restricted Stock. All distributions, if any, received by a Grantee with respect to Restricted Stock as a result of any stock split, stock dividend, combination of shares, or other similar transaction shall be subject to the restrictions applicable to the original Grant.

#### 15.5. Termination of Employment.

Unless the Board otherwise provides in an Award Agreement, in applicable employment agreement, or in writing after the Award Agreement is issued, upon the termination of a Grantee's employment with the Corporation or a Subsidiary, any shares Restricted Stock held by such Grantee that have not vested, or with respect to which all applicable restrictions and conditions have not lapsed, shall immediately be deemed forfeited. Upon forfeiture of Restricted Stock, the Grantee shall have no further rights with respect to such Award, including but not limited to any right to vote Restricted Stock or any right to receive dividends with respect to shares of Restricted Stock.

#### 15.6. Purchase of Restricted Stock.

The Grantee shall be required, to the extent required by applicable law, to purchase the Restricted Stock from the Corporation at a purchase price equal to the greater of (i) the aggregate par value of the shares of Stock represented by such Restricted Stock or (ii) the purchase price, if any, specified in the Award Agreement relating to such Restricted Stock.

#### 15.7. Delivery of Stock.

Upon the expiration or termination of any restricted period and the satisfaction of any other conditions prescribed by the Board, the restrictions applicable to shares of Restricted Stock, and, unless otherwise provided in the Award Agreement, a stock certificate for such shares shall be delivered, free of all such restrictions, to the Grantee or the Grantee's beneficiary or estate, as the case may be.

### 16. USE OF PROCEEDS

The proceeds received by the Corporation from the sale of Stock pursuant to Options or Restricted Stock granted under the Plan shall constitute general funds of the Corporation.

### 17. SECURITIES LAWS

The Corporation shall not be required to sell or issue any shares of Stock under any Award if the sale or issuance of such shares would constitute a violation by the individual exercising the Award or by the Corporation of any provisions of any law or regulation of any governmental authority, including, without limitation, any federal or state securities laws or regulations. If at any time the Corporation shall determine, in its discretion, that the listing, registration or qualification of any shares subject to the Award upon any securities exchange or under any state or federal law, or the consent of any government regulatory body, is necessary or desirable as a condition of, or in connection with, the issuance or purchase of shares, the Award may not be exercised in whole or in part unless such listing, registration, qualification, consent or approval shall have been effected or obtained free of any conditions not acceptable to the Corporation, and any delay caused thereby shall in no way affect the date of termination of the Award. Specifically in connection with the Securities Act of 1933, as amended (the "Securities Act"), upon exercise of any Award or the lapse of restrictions of any Award, unless a registration statement under the Securities Act is in effect with respect to the shares of Stock covered by such Award, the Corporation shall not be required to sell or issue such shares unless the Corporation has received evidence satisfactory to the Corporation that the Optionee may

acquire such shares pursuant to an exemption from registration under the Securities Act. Any determination in this connection by the Corporation shall be final and conclusive. The Corporation may, but shall in no event be obligated to, register any securities covered hereby pursuant to the Securities Act. The Corporation shall not be obligated to take any affirmative action in order to cause the exercise of an Award or the issuance of

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shares pursuant to an Award to comply with any law or regulation of any governmental authority. As to any jurisdiction that expressly imposes the requirement that an Option shall not be exercisable unless and until the shares of Stock covered by such Option are registered or are subject to an available exemption from registration, the exercise of such Option (under circumstances in which the laws of such jurisdiction apply) shall be deemed conditioned upon the effectiveness of such registration or the availability of such an exemption.

#### 18. EXCHANGE ACT: RULE 16b-3

During any time when the Corporation has a class of equity security registered under Section 12 of the Securities Exchange Act of 1934 it is the intent of the Company that Awards pursuant to the Plan and the exercise of Options granted hereunder will qualify for the exemption provided by Rule 16b-3 under the Exchange Act. To the extent that any provision of the Plan or action by the Board does not comply with the requirements of Rule 16b-3, it shall be deemed inoperative to the extent permitted by law and deemed advisable by the Board, and shall not affect the validity of the Plan. In the event that Rule 16b-3 is revised or replaced, the Board may exercise its discretion to modify this Plan in any respect necessary to satisfy the requirements of, or to take advantage of any features of, the revised exemption or its replacement.

#### 19. AMENDMENT AND TERMINATION

The Board may, at any time and from time to time, amend, suspend or terminate the Plan as to any shares of Stock as to which Awards have not been granted. The Corporation also may retain the right in an Award Agreement to cause a forfeiture of the shares or gain realized by an Optionee or Grantee on account of the Optionee taking actions in "competition with the Corporation," as defined in the applicable Award Agreement. Furthermore, the Corporation may, in the Award Agreement, retain the right to annul the grant of an Option if the holder of such grant was an employee of the Corporation or a Subsidiary and is terminated "for cause," as defined in the applicable Award Agreement. Except as permitted under Section 20 hereof, no amendment, suspension or termination of the Plan shall, without the consent of the Optionee or Grantee, alter or impair rights or obligations under any Award theretofore granted under the Plan.

#### 20. EFFECT OF CHANGES IN CAPITALIZATION

##### 20.1. Changes in Stock

If the number of outstanding shares of Stock is increased or decreased or changed into or exchanged for a different number or kind of shares or other securities of the Corporation by reason of any recapitalization, reclassification, stock split-up, combination of shares, exchange of shares, stock dividend or other distribution payable in capital stock, or other increase or decrease in such shares effected without receipt of consideration by the Corporation, occurring after the effective date of the Plan, a proportionate and appropriate adjustment shall be made by the Corporation in the number and kind of shares for which Awards are outstanding, so that the proportionate interest of the Optionee or Grantee immediately following such event shall, to the extent practicable, be the same as immediately prior to such

event. Any such adjustment in outstanding Options shall not change the aggregate Option Price payable with respect to shares subject to the unexercised portion of the Option outstanding but shall include a corresponding proportionate adjustment in the Option Price per share.

#### 20.2. Reorganization With Corporation Surviving

Subject to Section 20.3 hereof, if the Corporation shall be the surviving corporation in any reorganization, merger or consolidation of the Corporation with one or more other corporations, any Award theretofore granted pursuant to the Plan shall pertain to and apply to the securities to which a holder of the number of shares of Stock subject to such Award would have been entitled immediately following such reorganization, merger or consolidation, with a corresponding proportionate adjustment of the Option Price per share so that the aggregate Option Price thereafter shall be the same as the aggregate Option Price of the shares remaining subject to the Option immediately prior to such reorganization, merger or consolidation.

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#### 20.3. Other Reorganizations; Sale of Assets or Stock

Upon the dissolution or liquidation of the Corporation, or upon a merger, consolidation or reorganization of the Corporation with one or more other corporations in which the Corporation is not the surviving corporation, or upon a sale of substantially all of the assets of the Corporation to another corporation, or upon any transaction (including, without limitation, a merger or reorganization in which the Corporation is the surviving corporation) approved by the Board that results in any person or entity (other than persons who are holders of stock of the Corporation at the time the Plan is approved by the Stockholders and other than an Affiliate) owning 80 percent or more of the combined voting power of all classes of stock of the Corporation, the Plan and all Options outstanding hereunder shall terminate, except to the extent provision is made in connection with such transaction for the assumption of the Options theretofore granted, or for the substitution for such Options of new options covering the stock of a successor corporation, or a parent or subsidiary thereof, with appropriate adjustments as to the number and kinds of shares and exercise prices, in which event the Plan and Options theretofore granted shall continue in the manner and under the terms so provided.

In the event of any such termination of the Plan, each Optionee shall have the right (subject to the general limitations on exercise set forth in Section 10.3 hereof and except as otherwise specifically provided in the Option Agreement relating to such Option), immediately prior to the occurrence of such termination and during such period occurring prior to such termination as the Board in its sole discretion shall designate, to exercise such Option in whole or in part, whether or not such Option was otherwise exercisable at the time such termination occurs, but subject to any additional limitations that the Board may, in its sole discretion, include in any Option Agreement. The Board shall send written notice of an event that will result in such a termination to all Optionees not later than the time at which the Corporation gives notice thereof to its stockholders. Unless otherwise provided in the applicable Restricted Stock Agreement, all restrictions applicable to Awards of Restricted Stock shall lapse immediately prior to the occurrence of an event described in the first paragraph of this Section 20.3.

#### 20.4. Adjustments

Adjustments under this Section 20 relating to stock or securities of the Corporation shall be made by the Board, whose determination in that respect shall be final and conclusive. No fractional shares of Stock or units of other securities shall be issued pursuant to any such adjustment, and any fractions resulting from any such adjustment shall be

eliminated in each case by rounding downward to the nearest whole share or unit.

#### 20.5. No Limitations on Corporation

The grant of an Award pursuant to the Plan shall not affect or limit in any way the right or power of the Corporation to make adjustments, reclassifications, reorganizations or changes of its capital or business structure or to merge, consolidate, dissolve or liquidate, or to sell or transfer all or any part of its business or assets.

#### 21. WITHHOLDING

The Corporation shall have the right to withhold, or require an Optionee or Grantee to remit to the Corporation, an amount sufficient to satisfy any applicable federal, state or local withholding tax requirements imposed with respect to exercise of Options or lapse of restrictions or other taxable event with respect to Restricted Stock. To the extent permissible under applicable tax, securities and other laws and authorized by the Corporation in the Award Agreement or at the time of such payment, the Optionee or Grantee may satisfy a tax withholding requirement by directing the Corporation to apply shares of Stock to which the Optionee or Grantee is entitled as a result of the exercise of an Option or grant of Restricted Stock to satisfy withholding requirements under this Section 21.

#### 22. DISCLAIMER OF RIGHTS

No provision in the Plan or in any Award granted or Award Agreement entered into pursuant to the Plan shall be construed to confer upon any individual the right to remain in the employ of the Corporation

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or any Subsidiary, or to interfere in any way with the right and authority of the Corporation or any Subsidiary either to increase or decrease the compensation of any individual at any time, or to terminate any employment or other relationship between any individual and the Corporation or any Subsidiary. The obligation of the Corporation to pay any benefits pursuant to the Plan shall be interpreted as a contractual obligation to pay only those amounts described herein, in the manner and under the conditions prescribed herein. The Plan shall in no way be interpreted to require the Corporation to transfer any amounts to a third party trustee or otherwise hold any amounts in trust or escrow for payment to any participant or beneficiary under the terms of the Plan.

#### 23. NONEXCLUSIVITY

Neither the adoption of the Plan nor the submission of the Plan to the stockholders of the Corporation for approval shall be construed as creating any limitations upon the right and authority of the Board to adopt such other incentive compensation arrangements (which arrangements may be applicable either generally to a class or classes of individuals or specifically to a particular individual or individuals) as the Board in its discretion determines desirable, including, without limitation, the granting of stock options or restricted stock otherwise than under the Plan.

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The Plan was duly adopted and approved by the Board on July 24, 1996 and was duly approved by the stockholders of the Corporation on July 24, 1996. On March 16, 2001, the Board and stockholders of the Corporation approved an amendment to the Plan increasing the maximum number of shares of Common Stock that may be issued pursuant to awards granted under the Plan to 2,500,000. The Plan was further amended by the Board on April 23, 2001, and

approved by the stockholders of the Corporation on May 16, 2001.

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