

STRAYER EDUCATION INC

Form 10-K

February 17, 2009

Table of Contents

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

FORM 10-K

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

For the fiscal year ended December 31, 2008

Commission file number: 0-21039

STRAYER EDUCATION, INC.

(Exact name of registrant as specified in its charter)

MARYLAND

(State or other jurisdiction of
incorporation or organization)

52-1975978

(I.R.S. Employer Identification Number)

1100 Wilson Boulevard, Suite 2500, Arlington, VA 22209

(Address of principal executive offices)

REGISTRANT'S TELEPHONE NUMBER INCLUDING AREA CODE: (703) 247-2500

SECURITIES REGISTERED PURSUANT TO SECTION 12(b) OF THE ACT:

COMMON STOCK, \$.01 PAR VALUE

(Title of class)

THE NASDAQ STOCK MARKET LLC

(Name of each exchange on
which registered)

SECURITIES REGISTERED PURSUANT TO SECTION 12(g) OF THE ACT:

NONE

(Title of Class)

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act:
x Yes o No

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act: o Yes x No

Indicate by check mark whether the Registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the Registrant was required to file such reports), and (2) has been subject to such filing requirements for the last 90 days. x Yes o No

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K (Section 229.405 of this chapter) is not contained herein, and will not be contained, to the best of Registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this

Form 10-K. x

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of large accelerated filer, accelerated filer and smaller reporting company in Rule 12b-2 of the Exchange Act. (Check one):

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

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

The aggregate market value of the voting and non-voting common stock held by non-affiliates (computed by reference to the price at which the common stock was last sold) as of June 30, 2008, the last business day of the Registrant's most recently completed second fiscal quarter, was approximately \$2.9 billion.

The total number of shares of common stock outstanding as of January 30, 2009 was 14,089,189.

DOCUMENTS INCORPORATED BY REFERENCE

Certain portions of the Registrant's Definitive Proxy Statement for its 2009 Annual Meeting of Stockholders (which is expected to be filed with the Commission within 120 days after the end of the Registrant's 2008 fiscal year) are incorporated by reference into Part III of this Report.

STRAYER EDUCATION, INC.

FORM 10-K

INDEX

	Page
<u>PART I</u>	
<u>Item 1</u>	2
<u>Item 1A</u>	24
<u>Item 1B</u>	30
<u>Item 2</u>	30
<u>Item 3</u>	30
<u>Item 4</u>	30
<u>PART II</u>	
<u>Item 5</u>	31
<u>Item 6</u>	34
<u>Item 7</u>	36
<u>Item 7A</u>	42
<u>Item 8</u>	43
<u>Item 9</u>	63
<u>Item 9A</u>	63
<u>Item 9B</u>	64
<u>PART III</u>	
<u>Item 10</u>	65
<u>Item 11</u>	69
<u>Item 12</u>	69
<u>Item 13</u>	69
<u>Item 14</u>	70
<u>PART IV</u>	
<u>Item 15</u>	71
<u>SIGNATURES</u>	72
CERTIFICATIONS	
<u>EX-3.03: AMENDMENT TO BYLAWS</u>	

EX-23.1: CONSENT OF PRICEWATERHOUSECOOPERS LLP

EX-31.1: CERTIFICATION

EX-31.2: CERTIFICATION

EX-32.1: CERTIFICATION

EX-32.2: CERTIFICATION

Table of Contents

PART I

CAUTIONARY NOTICE REGARDING FORWARD-LOOKING STATEMENTS:

This document and the documents incorporated by reference herein include forward-looking statements, within the meaning of Section 27A of the Securities Act of 1933, as amended (the Securities Act), and Section 21E of the Securities Exchange Act of 1934, as amended (the Exchange Act), including, in particular, the statements about our plans, strategies and prospects under the headings Management's Discussion and Analysis of Financial Condition and Results of Operations and Business. We have typically used the words may, will, expect, believe, estimate, intend and similar expressions in this document and the documents incorporated by reference herein to identify forward-looking statements. We have based these forward-looking statements on our current views with respect to future events and financial performance. Actual results could differ materially from those projected in the forward-looking statements. These forward-looking statements are subject to many risks, uncertainties and assumptions, including, among other things:

the pace of growth of student enrollment;

our continued compliance with Title IV of the Higher Education Act and the regulations thereunder, as well as state regulatory requirements and accrediting agency requirements;

risks related to the timing of regulatory approvals;

competitive factors;

our ability to continue to implement our online growth strategy;

risks associated with the opening of new campuses;

risks associated with the offering of new educational programs and adapting to other program changes;

risks associated with the acquisition of existing educational institutions;

risks associated with the ability of our students to finance their education in a timely manner; and

general economic and market conditions.

You should not put undue reliance on any forward-looking statements. You should understand that many important factors, including those discussed under the headings Management's Discussion and Analysis of Financial Condition and Results of Operations and Business, could cause our results to differ materially from those expressed or suggested in any forward-looking statements. Further information about these and other relevant risks and uncertainties may be found in Item 1A (Risk Factors) below and elsewhere in this Annual Report on Form 10-K and in our other filings with the Securities and Exchange Commission. We undertake no obligation to update or revise forward-looking statements.

Table of Contents

Item 1. Business

Overview

Our company is a for-profit post-secondary education services corporation. Our mission is to make high quality, post-secondary education achievable and convenient for working adults in today's economy. We work to fulfill this mission by offering a variety of academic programs through our wholly-owned subsidiary Strayer University, Inc., both in traditional classroom courses and online via the Internet. Strayer University prides itself on making post-secondary education accessible to working adults who were previously unable to take advantage of higher education opportunities.

Founded in 1892, Strayer University is an institution of higher learning that offers undergraduate and graduate degree programs in business administration, accounting, information technology, education, and public administration at 65 physical campuses in Alabama, Delaware, Florida, Georgia, Kentucky, Maryland, New Jersey, North Carolina, Pennsylvania, South Carolina, Tennessee, Utah, Virginia, West Virginia, and Washington, D.C. As of December 31, 2008, we had more than 44,000 students enrolled in our programs. Strayer University is accredited by the Middle States Commission on Higher Education (Middle States), one of the six regional collegiate accrediting agencies recognized by the U.S. Secretary of Education. As part of its program offering, the University also offers classes online via the Internet, providing its working adult students a flexible and convenient alternative. Strayer University, with its online offerings, attracts students from around the country and throughout the world.

Over the last several years, we have experienced significant growth, primarily by expanding geographically by opening new campuses. Since our initial public offering in 1996, we have grown from eight campuses in one state and Washington, D.C., to 65 campuses in 14 states and Washington, D.C. Our mission is to serve working adults' demand for post-secondary education. We accomplish this by opening new campuses in the promising areas in those states in which we currently operate physical campuses, as well as by expanding into contiguous states that exhibit strong demand for adult education in business and information technology programs. We have opened 51 of our campuses since the beginning of 2001 and currently plan to open 11 new campuses in 2009, including five already opened. We have also developed a robust online education program. Since receiving regulatory approval to offer our degree programs online in 1997, our online programs have experienced rapid growth, with over 32,000 students enrolled in at least one class online during the 2008 fall term. To better serve students who do not reside or work near one of our physical campus locations, we plan to open a second Global Online Operations Center in 2009.

In May 2001, we hired a new senior management team, made significant investments in information technology infrastructure to support planned growth in our online programs, and embarked on a long term program to open new campuses in areas where there is a strong demand for adult education. As a result of these efforts, between 2000 and 2008 our revenues grew 23% on a compound annual basis, as our revenues increased from \$78 million in 2000 to \$396 million in 2008. During the same period, diluted earnings per share grew at a compound annual rate of 19% including the impact of stock-based compensation which we began recording in 2006, as we continued to invest heavily in our various initiatives to serve working adult students. For more information relating to our revenues, profits and total assets, please refer to Management's Discussion and Analysis of Financial Condition and Results of Operations and our consolidated financial statements included elsewhere in this Annual Report on Form 10-K.

Industry Background and Outlook

The market for post-secondary education is large, growing and highly fragmented. The U.S. Bureau of Labor Statistics has reported that approximately 61 million working adults in the United States do not have more than a high school education and approximately 32 million people have some college experience but no degree. We believe that the demand for post-secondary education

Table of Contents

will continue to increase during the next several years as a result of demographic, economic and social trends, including:

an increase in demand by employers for professional and skilled workers;

a projected 18% growth in the annual number of high school graduates from 2.8 million in 2000 to 3.3 million in 2010;

the significant and measurable income premium attributable to post-secondary education; and

budgetary constraints at traditional colleges and universities.

The adult education market is a significant and growing component of the post-secondary education market. We believe that the market for post-secondary adult education should continue to increase as working adults seek additional education to update and improve their skills. In addition, we believe that many working adults will seek regionally accredited degree programs that provide flexibility to accommodate the fixed schedules and time commitments associated with their professional, family and personal obligations.

In addition to Strayer, there are currently several hundred not-for-profit universities, several public companies and numerous smaller private companies operating in the post-secondary education market in which we operate.

Company Strengths

We have a 117-year operating history and a track record of providing practical and convenient education programs for working adults. We believe the following strengths position us to capitalize on the growing demand for post-secondary education among working adults:

Consistent operating history. We have been in continuous operation since 1892 and have demonstrated an ability to operate consistently and grow profitably. Our enrollment and revenue have grown each year since our initial public offering in 1996.

Practical and diversified curricula. We offer core curricula in stable, high-demand areas of adult education. In order to keep pace with a changing knowledge-based economy, we constantly strive to meet the evolving needs of our working adult students and their employers by regularly refining and updating our existing educational programs. Additionally, we replicate programs that are successful in a given campus at additional locations throughout our network of campuses. Strayer University currently offers 91 different degree, diploma and certificate programs, including emphases and concentrations, to its students.

Focus on working adults pursuing degree programs. We focus on serving working adults who are pursuing college degrees in order to advance their career and employment opportunities. We believe this is an attractive market within the post-secondary education sector due to the growing number of adult students enrolling in post-secondary education programs and the highly motivated nature of adult students. We consider adult students to be our primary customers, with the various business and government organizations that provide tuition assistance to their employees as our secondary customers. In addition, we believe that the structure of our curriculum, featuring associate, bachelor's and graduate-level degree programs, encourages students to continue their education and results in extended periods of student enrollment which positively impacts the visibility and predictability of our future revenues. Approximately 92% of our students were enrolled in degree programs for the 2008 fall term.

Flexible program offerings. We maintain flexible quarterly programs that allow working adult students to attend classes and complete coursework on a convenient evening and weekend schedule throughout the calendar year. Additionally, we developed online programs to enable students to pursue a degree partially or entirely via the Internet, thereby increasing the convenience, accessibility and flexibility of our educational programs. Approximately 72% of

Table of Contents

our students enrolled for the 2008 fall term were taking at least one course online. We believe that these flexible offerings distinguish us from many traditional universities that currently do not effectively address the special requirements of working adults.

Attractive and convenient campus locations. Our campuses are located in growing metropolitan areas, mostly in the Mid-Atlantic and Southern regions where there are large populations of working adults with demographic characteristics similar to those of our typical students. Strayer University's campuses are attractive and modern, offering conducive learning environments in convenient locations.

Established brand name and alumni support. With a 117-year operating history, Strayer University is an established brand name in post-secondary adult education, and our students and graduates work throughout corporate America. Our alumni network fosters additional recruitment opportunities for students.

Strong owner-oriented management team. In connection with our recapitalization in 2001, we developed a new growth strategy and hired a new senior management team to implement this strategy. As described below, under the leadership of Robert S. Silberman, our Chairman and Chief Executive Officer, we embarked on various initiatives to serve the working adult market by expanding our campuses and developing an online learning platform. In addition, all of our senior officers have made investments in Strayer through outright share purchases, in addition to any compensatory stock awards.

Company Strategy

Our goal is to be a leading, nationwide provider of high quality post-secondary education programs for working adults primarily in the areas of business administration, accounting and information technology. We have identified the following factors as key to executing our growth strategy:

Maintain stable enrollment in our mature markets. We have 37 mature campuses (those in operation for more than three years) out of a total number of 65 campuses (including two new campuses opened for the 2009 winter term in Augusta, Georgia and Huntsville, Alabama and three new campuses opened for the 2009 spring term in Allentown, Pennsylvania; Charleston, West Virginia; and Salt Lake City, Utah). Our goal is to maintain stable campus enrollments in our mature markets, while increasing revenues by continuing market-based tuition increases.

Open new campuses. Our goal is to open new campuses every year by meeting unmet demand in states in which we currently operate physical campuses, and by expanding into contiguous states that exhibit strong demand for adult education in business and information technology programs. Since our initial public offering in 1996, we have grown from eight campuses to 65 campuses while expanding into 14 states and Washington, D.C. The Company has opened 51 new campuses since the beginning of 2001. These campuses are set forth in the table below:

**New Campuses Opened
(since the beginning of 2001)**

2001	Baltimore, MD (Owings Mills Campus) Norfolk, VA (Chesapeake Campus) Norfolk, VA (Newport News Campus)
------	---

2002

Charlotte, NC (North Charlotte Campus)
Charlotte, NC (South Charlotte Campus)
Raleigh-Durham, NC (Cary Campus)

Table of Contents

2003	Memphis, TN (Thousand Oaks Campus) Nashville, TN Raleigh-Durham, NC (North Raleigh Campus) Philadelphia, PA (Lower Bucks Campus) Philadelphia, PA (Delaware County Campus)
2004	Greenville, SC Memphis, TN (Shelby Oaks Campus) Atlanta, GA (Cobb County Campus) Atlanta, GA (Chamblee Campus) Philadelphia, PA (King of Prussia Campus)
2005	Tampa, FL (Tampa East Campus) Tampa, FL (Tampa West Campus) Greensboro, NC Columbia, SC Atlanta, GA (Morrow Campus)
2006	Wilmington, DE Philadelphia, PA (Center City Campus) Pittsburgh, PA (Penn Center West Campus) Pittsburgh, PA (Cranberry Woods Campus) Norfolk, VA (Virginia Beach Campus) Atlanta, GA (Roswell Campus) Charleston, SC Birmingham, AL
2007	Louisville, KY Lexington, KY Orlando, FL (Maitland Campus) Orlando, FL (Orlando East Campus) Atlanta, GA (Douglasville Campus) Cherry Hill, NJ Willingboro, NJ Knoxville, TN
2008	Charlotte, NC (Huntersville Campus) Raleigh, NC (Garner Campus) Atlanta, GA (Lithonia Campus) Orlando, FL (Sandlake Campus) Jacksonville, FL Palm Beach, FL Ft. Lauderdale, FL Ft. Lauderdale, FL (Coral Springs Campus) Savannah, GA

2009 (to date) Augusta, GA
 Huntsville, AL
 Allentown, PA
 Charleston, WV
 Salt Lake City, UT

In 2009, we plan to open a total of 11 new campuses. Two of the planned new campuses were opened in Augusta, Georgia and Huntsville, Alabama for the 2009 winter term. Another three

Table of Contents

campuses have been opened for the 2009 spring term in Allentown, Pennsylvania; Charleston, West Virginia; and Salt Lake City, Utah. The locations of the remaining six campuses planned for this year will be announced after all necessary regulatory approvals are obtained.

We continue to apply to operate in other states generally adjacent to our current operating region and expect to pursue approvals in those states and open campuses in favorable demographic locations in such states as part of our multi-year expansion plan, with our ultimate goal to become a nationwide university.

Expand Online. We actively market our online programs to students throughout the U.S. and to international students on a global basis. Strayer has demonstrated its success with both asynchronous (on demand) and synchronous (real time) course offerings that are favored by working adult students because of their quality and convenience. We believe that the added flexibility of being able to offer both traditional and online courses allows us to better serve our working adult students. Due to the convenience and flexibility of online courses, particularly in the asynchronous format, this medium has rapidly grown in acceptance and is expected to continue to grow. There were over 32,000 students taking at least one online course for the 2008 fall term. We intend to make additional investments in our online programs to support the continued growth in this area, including opening a second Global Online Operations Center in Salt Lake City, Utah planned for 2009.

Develop corporate/institutional alliances. We believe we are well positioned to pursue significant opportunities in the large corporate/institutional market. Our convenient evening, weekend and online courses provide an attractive solution for the education and training needs of employers and their employees. We currently have employer agreements or billing arrangements of various types with many corporations and government organizations, including Bank of America, FedEx Inc., Northrop Grumman, SAIC, Sodexo USA, UPS, FBI, United States Postal Service, Verizon, Verizon Wireless and Wachovia. We are actively working with other corporations and institutions, such as community colleges, to increase the number of such arrangements and to further develop existing relationships. These relationships, once established, provide an ongoing source of new and continuing students.

Optimize the use of stockholders' capital. We compare all uses of our capital (including but not limited to organic growth investments, acquisitions, share repurchases and dividends) in terms of return on our owners capital and enhancing shareholder value. In 2008, we repurchased approximately 600,000 shares of our common stock and increased our annual dividend from \$1.50 to \$2.00 per share, effective December 2008. We periodically evaluate opportunities to acquire other providers of post-secondary education. Currently, we have no commitments with regard to potential acquisitions.

Strayer University

Curriculum

Strayer University offers business, information technology and professional-oriented curricula to equip students with specialized and practical knowledge and skills for careers in business, industry and government. Our Academic School Deans and Program Curriculum Committees regularly review and revise the University's course offerings to improve the educational programs and respond to competitive changes in job markets. We regularly evaluate new programs and degrees to ensure that we stay current with the needs of our students and their employers.

Table of Contents

Strayer University offers programs in the following areas:

Graduate Programs

Undergraduate Programs

- Master of Business Administration (M.B.A.) Degree*
- Master of Education (M.Ed.) Degree
- Master of Health Services Administration (M.H.S.A.) Degree
- Master of Public Administration (M.P.A.) Degree
- Master of Science (M.S.) Degree
- Information Systems
- Accounting
- Executive Graduate Certificate Programs
- Business Administration
- Information Systems
- Accounting

- Bachelor of Science (B.S.) Degree
 - Accounting
 - Information Systems
 - Economics
 - International Business
 - Criminal Justice (begins Spring 2009)
- Bachelor of Business Administration (B.B.A.) Degree
- Associate in Arts (A.A.) Degree
 - Accounting
 - Acquisition and Contract Management
 - Business Administration
 - Information Systems
 - Economics
 - General Studies Marketing Criminal Justice (begins Spring 2009)
- Diploma Programs
 - Accounting
 - Acquisition and Contract Management
 - Information Systems
- Undergraduate Certificate Programs
 - Accounting
 - Business Administration
 - Information Systems

* In 2008, Strayer University redesigned its Master of Business Administration program. In doing so, Strayer University expanded its offerings with new concentrations including International Business, Project Management, Professional Studies (Custom Concentration), Accounting, IS Management, Health Services Administration and Public Administration.

Each undergraduate degree program includes courses in oral and written communication skills as well as mathematics and various disciplines in the humanities and social sciences. In addition to our degree, diploma and certificate programs, we offer classes to non-degree and non-program students wishing to take courses for personal or professional enrichment.

Although all of our programs are generally offered at each campus, the University adapts its course offerings to the demands of the student population at each location. Strayer University students may enroll in courses at more than one campus and take courses online.

Strayer University structures its curricula to allow students to advance sequentially from one learning level to another by applying credits earned in one program toward attainment of a more advanced degree. For example, a student

originally pursuing a diploma in computer information systems can extend his or her original educational objective by taking additional courses leading to an associate's degree in computer information systems, a bachelor's degree in computer information systems, and ultimately a master's degree in computer information systems. This curriculum design provides students a level of competency and a measure of attainment in the event they interrupt their education or choose to work in their field of concentration prior to obtaining their final degree.

Online Programs

In August 1997, we began offering our programs online via the Internet. The University offers courses and degree programs online using both synchronous (real time) and asynchronous (on demand) approaches to online learning. The asynchronous format was first introduced by the University in the summer 2001 quarter and has grown rapidly due to increasing demand. Students may take all of their courses online or may take online courses as a supplement to traditional, site-based courses. A student

Table of Contents

taking classes online has the same admission and financial aid requirements, policies and procedures and receives the same student services as other Strayer University students. Tuition for online courses is the same as for campus courses. During the fall 2008 quarter, Strayer University had over 32,000 students participating in its online programs, approximately 27,300 of whom took classes solely online.

Faculty

The University appoints faculty who hold appropriate academic credentials, are dedicated, active professionals in their field and are enthusiastic and committed to teaching working adults. In accordance with our educational mission, the University faculty focuses its efforts on teaching. The normal course load for a full-time faculty member is four courses per quarter for each of three quarters, or 12 courses per academic year. In addition, the University requires full-time faculty members to provide eight hours per week of student academic counseling and other student support services. Further, full-time faculty members participate actively in the life of the University through service on curricular and assessment committees.

We provide financial support for faculty members seeking to update their skills and knowledge. The University maintains a tuition plan that typically reimburses full-time faculty enrolled in advanced degree programs for 75% of the tuition for one new course per term when taken at institutions other than Strayer. Deans pursuing doctorate degrees may be eligible for up to 100% tuition reimbursement. Full-time faculty (and all other employees) receive a 90% discount for all Strayer courses. The University also conducts annual in-house faculty workshops in each discipline. We believe that our dedicated and capable faculty is one of the keys to our success.

Organization of Strayer University

The University's annual financial budget and overall academic and business decisions are directed by its Board of Trustees. The Board of Trustees consists of Dr. Charlotte F. Beason, Chairwoman of the Board of Trustees, and 10 other members. The University By-Laws prescribe that a majority of voting members be unaffiliated with either University management or Strayer Education, Inc. to assure independent oversight of all academic programs and services. With the exception of the University President and the Company's President, all of our trustees are independent, non-management members. The current Board of Trustees members are listed below:

Board of Trustees

Dr. Charlotte F. Beason

Dr. Beason is the Chairwoman of the Board of Trustees. She has served as a member of the Board of Trustees since 1996. She has extensive experience in education, distance learning, and the accreditation of education programs. (See Item 10 below for additional biographical information.)

Mr. Daniel R. Abbasi

Mr. Abbasi has served as a member of the Board of Trustees since 2005. He is Director of MissionPoint Capital Partners, a private equity firm specializing in clean energy. Previously, Mr. Abbasi was Associate Dean of the Yale School of Forestry and Environmental Studies, where he remains affiliated. In addition, he has also held management positions with Kaplan, Inc., Time Warner, Inc., the U.S. Environmental Protection Agency and the Stanford Center on Conflict and Negotiation. Mr. Abbasi holds a bachelor's degree in government and an MBA, both from Harvard University. Mr. Abbasi also holds a master's degree in political science from Stanford University.

Table of Contents

Mr. Dennis H. Blumer	Mr. Blumer was elected to the Board of Trustees in 2007. He is of counsel in the Washington, D.C. office of the law firm of Arent Fox LLP. He is also Vice President Emeritus at The George Washington University, where he served from 1995 until his retirement in 2007. He has more than 40 years of experience in higher education including previously serving as Executive Assistant to the President of the University of Maryland, College Park and in a similar capacity at the University of Wisconsin. Mr. Blumer holds a bachelor's degree in history and a juris doctorate degree from Yale University.
Mr. Roland Carey	Mr. Carey has served as a member of the Board of Trustees since 1990. He served for 23 years as a U.S. Army Officer in the specialties of Air Defense Missile Evaluation and Military Education. He retired in 1986 as a Lieutenant Colonel. Mr. Carey served 12 years as a mathematics instructor and as an Intervention Program Coordinator with Fairfax County Public Schools. Additionally, he has served on two other organizational management and supervisory boards. Mr. Carey holds a bachelor's degree in mathematics from Florida A&M University and a master's degree in educational leadership from George Mason University.
Mr. Karl McDonnell	Mr. McDonnell was elected to the Board of Trustees in 2007. Mr. McDonnell joined Strayer Education, Inc. in July 2006 as President and Chief Operating Officer. (See Item 10 below for additional biographical information.)
Mr. Todd A. Milano	Mr. Milano has served as a member of the Board of Trustees since 1992 and has more than 30 years of experience in post-secondary education. Since 1989, he has served as President of Central Pennsylvania College near Harrisburg, Pennsylvania. (See Item 10 below for additional biographical information.)
Dr. William C. Reha, MD	Dr. Reha was elected to the Board of Trustees in 2007. He is a Board certified urologic surgeon affiliated with Potomac Hospital in Woodbridge, Virginia. He also currently serves as Vice-Speaker for the Medical Society of Virginia. Dr. Reha is active in Strayer University alumni affairs and is the 2005 Outstanding Alumni Award winner. He holds a bachelor's degree in biochemistry from Binghamton University, an M.D. from New York Medical College, and an MBA from Strayer University.
Dr. Peter D. Salins	Dr. Salins has served as a member of the Board of Trustees since 2002. Having served as Provost and Vice Chancellor for Academic Affairs of the State University of New York (SUNY) system from 1997 to 2006, he is currently University Professor of Political Science at SUNY's Stony Brook University. Dr. Salins also serves on the Advisory Board of Syracuse University School of Architecture, is a Trustee of the Lavanburg Foundation, and is a Director of the Citizens Housing and Planning Council of New York. Dr. Salins holds a bachelor's degree in architecture, and a doctorate in metropolitan studies and regional planning, both from Syracuse University.
Dr. Sondra F. Stallard	Dr. Stallard was elected to the Board of Trustees in 2007 shortly after joining Strayer University as University President. Prior to joining Strayer, Dr. Stallard

had a long and distinguished career at the University of Virginia. (See Item 10 below for additional biographical information.)

Table of Contents

Dr. Donald R. Stoddard* Dr. Stoddard has served as a member of the Board of Trustees since 1996. He served as President of Strayer University from 1997 to 2002. His background includes serving in the United States Army, university teaching with a specialty in American literature, higher education administration, a Fulbright Lectureship in Romania, and authoring many articles on literary topics. Dr. Stoddard holds a bachelor's degree in business administration and a master's degree in English, both from Northeastern University. He also holds a doctorate in English from the University of Pennsylvania.

Dr. J. Chris Toe* Dr. Toe has served as a member of the Board of Trustees since 2003. He served as President of Strayer University from 2003 to April 2006. Dr. Toe now serves as the Minister of Agriculture for the Republic of Liberia. Dr. Toe holds a bachelor's degree in economics from the University of Liberia, and a master's degree in agricultural economics and a doctorate in economics, both from Texas Tech University.

* Non-voting member.

Within the academic, strategic and financial parameters set by the Board of Trustees, the University is managed on a daily basis by the University President. The President is charged with the responsibility of overseeing the implementation of the policies established by the Board of Trustees and is supported in this function by senior administrative officers, including the Provost. The majority of the University's operations are centralized within the President's office or the University's senior administrative staff offices, such as faculty development, curriculum development, institutional research and assessments, and library administration, student records, student affairs, accounting and auditing, human resources, operations, marketing, public relations, facilities, information technology, and regulatory compliance, including oversight of the University's participation in federal financial aid programs.

Within this centralized structure is a division of responsibilities into two broad categories: academics and administrative operations. For the academic functions, the President is supported by the Provost and the deans of schools, and oversees a group of senior administrative deans including the Dean of Student Affairs, the Director of Libraries, and the Dean of Institutional Research, Assessment, and Evaluation. The President is also responsible for the general curriculum, University policies, as well as many regulatory compliance matters and student affairs. The Provost is responsible for implementing academic policies and programs of the University, including the supervision of the Academic Deans, Director of Programs and the Dean of Academic Development and Training.

On administrative operations, the Senior Vice President – Academic Administration works closely with the Regional Directors, who are responsible for ensuring that campus and online operations meet the annual University budget and financial goals established by the Board of Trustees, and the Regional Deans, who are responsible for academic operations on a local level. Other senior administrative officers also support the President in areas such as legal compliance, accounting and auditing, computer technology, insurance and human resources.

University Senior Management

Dr. Sondra F. Stallard University President

Dr. Joel O. Nwagbaraocha Provost and Chief Academic Officer

Randi Reich Cosentino Senior Vice President Academic Administration

Biographical information regarding the above senior members of University management is set forth in Item 10 below.

Table of Contents

Similarly, at the campus level, the day-to-day business operations are managed by a Campus Director and the academic functions are overseen by a Campus Dean. Each campus is staffed with personnel performing instructional, admissions, academic advising, financial aid, student services and career development functions. A learning resource center at each campus supports the University's instructional programs. Each learning resource center contains a library and computer laboratories and is operated by a full-time manager and support staff who assist students in the use of research resources.

Strayer Education, Inc. Executive Officers

For a description of Strayer Education, Inc.'s senior management, see the biographical information set forth in Item 10 below.

Marketing

To generate interest among potential students, we engage in a broad range of activities to inform the working adult public and their employers about the programs we offer. These activities include direct mail, Internet marketing, marketing to our existing students and graduates, print and broadcast advertising, student referrals, and corporate and government outreach activities. Direct response methods (direct mail and Internet advertising) are used to generate inquiries from potential students. Strayer University maintains booths and information tables at appropriate conferences and expos, as well as at transfer days at community colleges. Through our business-to-business outreach efforts, we market our programs to corporations with personal sales calls, distribution of information through corporate intranets and human resource departments and on-site information meetings. We implement a continuous marketing strategy to record inquiries in our database and track them through to application and registration. Additionally, we market information about new programs and new locations to students and alumni to encourage them to return for further education.

Student Profile

The majority of Strayer University students are working adults completing their first college degree to improve their job skills and advance their careers. Of the students enrolled in Strayer University's programs at the beginning of the 2008 fall quarter, approximately 60% were age 31 or older and approximately 82% were engaged in part-time study (fewer than three courses each quarter). In the 2008 fall quarter, our students registered for an average of 8.2 course credits (about two classes per student).

Strayer University has a very diverse student population. At the beginning of the 2008 fall quarter, approximately 71% of students were minorities and approximately 67% of students were women. Approximately 3% of the University's students were international, and approximately 3% were active duty military personnel. Strayer University prides itself on making post-secondary education accessible to working adults who missed or were previously unable to take advantage of educational opportunities.

Table of Contents

The following is a breakdown of our students by program level as of the 2008 fall term:

Program	Number of students	Percentage of total students
Bachelor s	24,273	54%
Master s	12,169	27%
Associate	4,726	11%
Total Degree	41,168	92%
Diploma	212	*
Undergraduate Certificate	161	*
Graduate Certificate	307	*
Undeclared	2,716	6%
Total Non-Degree	3,396	8%
Total Students	44,564	100%

* Represents less than 1%.

Our business is seasonal and as a result, our quarterly results of operations tend to vary within a year due to student enrollment patterns. Enrollment generally is highest in the fourth quarter, or fall term, and lowest in the third quarter, or summer term.

Student Admissions

Students attending Strayer University s undergraduate programs must possess a high school diploma or a General Educational Development (GED) Certificate. Students attending Strayer University s graduate programs must have a bachelor s degree from an accredited institution and meet certain other requirements. If a student s undergraduate major varies widely from the student s proposed graduate course of study, certain undergraduate prerequisite courses may also be necessary for admission. To maximize undergraduate students chances for academic success and to ensure they receive the support they need, Strayer University evaluates incoming student s proficiency in fundamental English and math prior to the first quarter s registration.

International students applying for admission must meet the same admission requirements as other students. Those students whose native language is not English must provide evidence that they are able to use the English language with sufficient facility to perform college-level work in an English-speaking institution.