

GLEACHER & COMPANY, INC.  
Form SC TO-I/A  
November 08, 2011

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## SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, D.C. 20549

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### Schedule TO

(Amendment No. 3)

**Tender Offer Statement under Section 14(d)(1) or  
13(e)(1) of the Securities Exchange Act of 1934**

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### GLEACHER & COMPANY, INC.

(Name of Issuer)

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**Gleacher & Company, Inc. (Issuer)**

(Name of Filing Person (Identifying Status as Offeror, Issuer or Other Person))

**Common Stock, \$0.01 Par Value**

(Title of Class of Securities)

**377341102**

(CUSIP Number of Class of Securities)

**Patricia Arciero-Craig  
General Counsel and Secretary  
1290 Avenue of the Americas  
New York, New York 10104  
(212) 273-7100**

(Name, Address and Telephone Number of Person Authorized to Receive  
Notices and Communications on Behalf of Filing Persons)

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**Copy to:**

**Nicholas G. Demmo, Esq.**  
Wachtell, Lipton, Rosen, & Katz  
51 West 52nd Street  
New York, New York 10019  
Telephone: (212) 403-1000

**CALCULATION OF FILING FEE**

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**Transaction Valuation\***

\$8,100,000

**Amount of Filing Fee\*\***

\$940.41

\*

Calculated solely for the purpose of determining the amount of the filing fee. Pursuant to Rule 0-11 of the Securities Exchange Act of 1934, as amended, the Transaction Value was calculated assuming that 6 million outstanding shares of Common Stock, par value \$0.01, are being purchased at the maximum possible tender offer price of \$1.35 per share.

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The amount of filing fee, calculated in accordance with Rule 0-11 of the Securities Exchange Act of 1934, as amended, is calculated by multiplying the transaction valuation by 0.00011610.

ý

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

Amount Previously Paid: \$1,799.55  
Form of Registration No.: Schedule TO  
Filing Party: Gleacher & Company, Inc.  
Date Filed: September 14, 2011

o

Check the box if the filing relates solely to preliminary communications made before the commencement of a tender offer.

Check the appropriate boxes below to designate any transactions to which the statement relates:

o

third-party tender offer subject to Rule 14d-1

ý

issuer tender offer subject to Rule 13e-4

o

going-private transaction subject to Rule 13e-3

o

amendment to Schedule 13D under Rule 13d-2

Check the following box if the filing is a final amendment reporting the results of the tender offer: o

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## INTRODUCTION

This Amendment No. 3 (this "Amendment No. 3") amends and supplements the Tender Offer Statement on Schedule TO originally filed with the Securities and Exchange Commission (the "SEC") on September 14, 2011 and amended by Amendment No. 1 filed with the SEC on October 3, 2011 and by Amendment No. 2 filed with the SEC on November 3, 2011 (as amended, the "Schedule TO") by Gleacher & Company, Inc., a Delaware corporation (the "Company"). The Schedule TO relates to the tender offer by the Company to purchase up to 6 million shares of its common stock, \$0.01 par value per share (the "shares"), or such lesser number of shares as are properly tendered and not properly withdrawn, at a price per share of not less than \$1.25 and not more than \$1.35, net to the seller in cash, without interest and subject to any applicable withholding taxes. The Company's offer is being made upon the terms and subject to the conditions set forth in the original Offer to Purchase, dated September 14, 2011 (the "Original Offer to Purchase"), as amended and supplemented by the supplement to the Offer to Purchase, dated November 8, 2011 and filed herewith as Exhibit (a)(1)(H) (the "Supplement to the Offer to Purchase" and, together with the Original Offer to Purchase, as may be further amended or supplemented from time to time, the "Offer to Purchase") and in the accompanying amended Letter of Transmittal filed herewith as Exhibit (a)(1)(I) (as may be further amended or supplemented from time to time, the "Amended Letter of Transmittal"), which collectively, as each may be amended or supplemented from time to time, constitute the "Tender Offer."

All information in the Tender Offer, including all schedules and annexes thereto, which were previously filed with the Schedule TO, is hereby expressly incorporated by reference into this Amendment No. 3, except that such information is hereby amended and supplemented to the extent specifically provided for herein and to the extent amended, supplemented or superseded by the exhibits filed herewith.

### Items 1 through 11.

Items 1 through 11 of the Schedule TO are hereby amended and supplemented by the information set forth in the Supplement to the Offer to Purchase, dated November 8, 2011 and filed herewith as Exhibit (a)(1)(H), which is incorporated by reference herein.

On November 8, 2011, the Company issued a press release announcing the mailing of amended and supplemented materials relating to the Tender Offer to its stockholders and informing stockholders that they will need to re-tender their shares by the Expiration Date if they wish to participate in the Tender Offer, as further described in the Offer to Purchase, Amended Letter of Transmittal and other related materials filed herewith. A copy of the press release is filed as Exhibit (a)(5)(C) and is incorporated by reference herein.

The Amended Current Report on Form 8-K/A, filed by the Company with the SEC on October 27, 2011, is incorporated herein by reference.

### Item 12. Exhibits

Item 12 of the Schedule TO is hereby amended and supplemented to add the following exhibit to the exhibit index:

- (a)(1)(H) Supplement to the Offer to Purchase, dated November 8, 2011.
  - (a)(1)(I) Amended Letter of Transmittal.
  - (a)(1)(J) Amended Notice of Guaranteed Delivery.
  - (a)(1)(K) Amended letter to brokers, dealers, commercial banks, trust companies and other nominees, dated November 8, 2011.
  - (a)(1)(L) Amended letter to clients for use by brokers, dealers, commercial banks, trust companies and other nominees, dated November 8, 2011.
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- (a)(1)(M) Amended letter from Standard Retirement Services to participants in the Gleacher & Company Securities, Inc. Employees' Retirement and Savings Plan who hold shares in the legacy Gleacher & Company, Inc. Fund through the trustee of the plan, dated November 8, 2011.
- (a)(1)(N) Amended direction form for participants in the Gleacher & Company Securities, Inc. Employees' Retirement and Savings Plan who hold shares in the legacy Gleacher & Company, Inc. Fund through the trustee of the plan.
- (a)(5)(C) Press Release, dated November 8, 2011.

**SIGNATURE**

After due inquiry and to the best of my knowledge and belief, I certify that the information set forth in this statement is true, complete and correct.

GLEACHER & COMPANY, INC.

By: /s/ THOMAS J. HUGHES

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Name: Thomas J. Hughes

Title: Chief Executive Officer

Dated: November 8, 2011

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**EXHIBIT INDEX**

<b>Exhibit No.</b>	<b>Description</b>
(a)(1)(A)*	Offer to Purchase, dated September 14, 2011.
(a)(1)(B)*	Letter of Transmittal.
(a)(1)(C)*	Notice of Guaranteed Delivery.
(a)(1)(D)*	Letter to brokers, dealers, commercial banks, trust companies and other nominees, dated September 14, 2011.
(a)(1)(E)*	Letter to clients for use by brokers, dealers, commercial banks, trust companies and other nominees, dated September 14, 2011
(a)(1)(F)*	Letter from Standard Retirement Services to participants in the Gleacher & Company Securities, Inc. Employees' Retirement and Savings Plan who hold shares in the legacy Gleacher & Company, Inc. Fund through the trustee of the plan, dated September 14, 2011.
(a)(1)(G)*	Direction form for participants in the Gleacher & Company Securities, Inc. Employees' Retirement and Savings Plan who hold shares in the legacy Gleacher & Company, Inc. Fund through the trustee of the plan.
(a)(1)(H)	Supplement to the Offer to Purchase, dated November 8, 2011.
(a)(1)(I)	Amended Letter of Transmittal.
(a)(1)(J)	Amended Notice of Guaranteed Delivery.
(a)(1)(K)	Amended letter to brokers, dealers, commercial banks, trust companies and other nominees, dated November 8, 2011.
(a)(1)(L)	Amended letter to clients for use by brokers, dealers, commercial banks, trust companies and other nominees, dated November 8, 2011.
(a)(1)(M)	Amended letter from Standard Retirement Services to participants in the Gleacher & Company Securities, Inc. Employees' Retirement and Savings Plan who hold shares in the legacy Gleacher & Company, Inc. Fund through the trustee of the plan, dated November 8, 2011.
(a)(1)(N)	Amended direction form for participants in the Gleacher & Company Securities, Inc. Employees' Retirement and Savings Plan who hold shares in the legacy Gleacher & Company, Inc. Fund through the trustee of the plan.
(a)(2)	Not applicable.
(a)(3)	Not applicable.
(a)(4)	Not applicable.
(a)(5)(A)*	Press Release, dated September 14, 2011.
(a)(5)(B)**	Press Release, dated November 3, 2011.
(a)(5)(C)	Press Release, dated November 8, 2011
(b)(1)	Not applicable.
(d)(1)	Agreement and Plan of Merger, dated as of March 2, 2009, among Broadpoint Securities Group, Inc., Magnolia Advisory LLC, Gleacher Partners Inc., certain stockholders of Gleacher Partners Inc. and each of the holders of interests in Gleacher Holdings LLC (filed as Exhibit 10.1 to the Company's Current Report on Form 8-K filed on March 4, 2009).

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<b>Exhibit No.</b>	<b>Description</b>
(d)(2)	Registration Rights Agreement, dated as of June 5, 2009, between Broadpoint Securities Group, Inc. and Eric J. Gleacher (filed as Exhibit 10.2 to the Company's Current Report on Form 8-K filed on June 8, 2009).
(d)(3)	Registration Rights Agreement, dated as of September 21, 2007, by and among First Albany Companies Inc., MatlinPatterson FA Acquisition LLC, Robert M. Tirschwell and Robert M. Fine (filed as Exhibit 10.3 to the Company's Current Report on Form 8-K filed September 27, 2007 and incorporated herein by reference).
(d)(4)	Amendment No. 1 to Registration Rights Agreement dated as of March 4, 2008 by and among the Company, MatlinPatterson FA Acquisition LLC, Robert M. Tirschwell and Robert M. Fine (filed as Exhibit 10.3 to the Company's Current Report on Form 8-K filed March 6, 2008 and incorporated herein by reference).
(d)(5)	First Albany Companies Inc. 2005 Deferred Compensation Plan for Key Employees effective January 1, 2005 (filed as Exhibit 10.1 to the Company's Annual Report on Form 10-K filed March 15, 2010 and incorporated herein by reference).
(d)(6)	First Albany Companies Inc. 1999 Long-Term Incentive Plan, as amended (filed as Exhibit 10.2 to the Company's Annual Report on Form 10-K filed March 15, 2010 and incorporated herein by reference).
(d)(7)	Broadpoint Securities Group, Inc. Senior Management Bonus Plan effective January 1, 2008 (filed as Exhibit B to the Company's Proxy Statement on Schedule 14A filed April 28, 2008 and incorporated herein by reference).
(d)(8)	First Albany Companies Inc. 2001 Long Term Incentive Plan dated October 18, 2001 (filed as Exhibit 99.A to the Company's Registration Statement on form S-8 filed July 31, 2002 (File No. 333-97467) and incorporated herein by reference).
(d)(9)	First Albany Companies Inc. 2005 Deferred Compensation Plan for Professional and Other Highly Compensated Employees effective January 1, 2005 (filed as Exhibit 4(f) to the Company's Registration Statement on Form S-8 filed January 10, 2005 (File No. 333-121928) and incorporated herein by reference).
(d)(10)	Restricted Share Award Agreement dated June 30, 2006 between First Albany Companies Inc. and Peter McNierney (filed as Exhibit 10.6 to the Company's Annual Report on Form 10-K filed March 15, 2011 and incorporated herein by reference).
(d)(11)	Form of Restricted Stock Agreement pursuant to the Gleacher & Company, Inc. 2003 Non-Employee Directors' Stock Plan (filed as Exhibit 10.7 to the Company's Annual Report on Form 10-K filed March 15, 2011 and incorporated herein by reference).
(d)(12)	Form of Restricted Stock Unit Agreement pursuant to the 2007 Incentive Compensation Plan (filed as Exhibit 10.5 to the Company's Current Report on Form 8-K filed September 27, 2007 and incorporated herein by reference).
(d)(13)	2007 Incentive Compensation Plan Restricted Stock Units Agreement dated as of March 4, 2008 between the Company and Lee Fensterstock (filed as Exhibit 10.4 to the Company's Current Report on Form 8-K filed March 6, 2008 and incorporated herein by reference).
(d)(14)	Restricted Stock Unit Agreement between the Company and Robert Turner (filed as Exhibit 10.17 to the Company's Annual Report on Form 10-K filed March 15, 2010 and incorporated herein by reference).
(d)(15)	Description of Non-Employee Director Compensation As Set By Board of Directors Effective September 21, 2007, (filed as Exhibit 10.69 to the Company's Annual Report on Form 10-K filed March 28, 2008 and incorporated herein by reference).

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<b>Exhibit No.</b>	<b>Description</b>
(d)(16)	Non-Compete and Non-Solicit Agreement dated as of September 21, 2007 by and between First Albany Companies, Inc. and Patricia Arciero-Craig (filed as Exhibit 10.70 to the Company's Annual Report on Form 10-K filed March 28, 2008 and incorporated herein by reference).
(d)(17)	Addendum to Non-Compete and Non-Solicit Agreement dated as of September 21, 2007 by and between First Albany Companies, Inc. and Patricia Arciero-Craig (filed as Exhibit 10.71 to the Company's Annual Report on Form 10-K filed March 28, 2008 and incorporated herein by reference).
(d)(18)	Preferred Stock Purchase Agreement with Mast Credit Opportunities I Master Fund Limited by and between Broadpoint Securities Group, Inc. and Mast Credit Opportunities I Master Fund Limited dated June 27, 2008 (filed as Exhibit 10.1 to the Company's Current Report on Form 8-K filed July 1, 2008 and incorporated herein by reference).
(d)(19)	Common Stock Purchase Warrant, by and between Broadpoint Securities Group, Inc. and Mast Credit Opportunities I Master Fund Limited dated June 27, 2008 (filed as Exhibit 10.2 to the Company's Current Report on Form 8-K filed July 1, 2008 and incorporated herein by reference).
(d)(20)	Registration Rights Agreement, by and between Broadpoint Securities Group, Inc. and Mast Credit Opportunities I Master Fund Limited dated June 27, 2008 (filed as Exhibit 10.3 to the Company's Current Report on Form 8-K filed July 1, 2008 and incorporated herein by reference).
(d)(21)	Preemptive Rights Agreement, by and between Broadpoint Securities Group, Inc. and Mast Credit Opportunities I Master Fund Limited dated June 27, 2008 (filed as Exhibit 10.4 to the Company's Current Report on Form 8-K filed July 1, 2008 and incorporated herein by reference).
(d)(22)	Restricted Stock Unit Agreement dated June 30, 2008 by and between Broadpoint Securities Group, Inc. and Peter McNierney (filed as Exhibit 10.84 to the Company's Quarterly Report on Form 10-Q filed August 14, 2008 and incorporated herein by reference).
(d)(23)	Restricted Stock Unit Agreement dated June 30, 2008 by and between Broadpoint Securities Group, Inc. and Lee Fensterstock (filed as Exhibit 10.85 to the Company's Quarterly Report on Form 10-Q filed August 14, 2008 and incorporated herein by reference).
(d)(24)	Stock Purchase Agreement by and among Broadpoint Securities Group, Inc., American Technology Research Holdings, Inc., Richard J. Prati, Curtis L. Snyder, Richard Brown, Robert Sanderson and Bradley Gastwirth, dated as of September 2, 2008 (filed as Exhibit 2.1 to the Company's Current Report on Form 8-K filed September 5, 2008 and incorporated herein by reference).
(d)(25)	Non-Compete and Non-Solicit Agreement dated as of March 2, 2009 by and between Broadpoint Securities Group, Inc. and Eric Gleacher (filed as Exhibit 10.2 to the Company's Current Report on Form 8-K filed March 4, 2009 and incorporated herein by reference).
(d)(26)	Employment Agreement dated as of March 2, 2009 by and between Broadpoint Securities Group, Inc. and Eric Gleacher (filed as Exhibit 10.2 to the Company's Current Report on Form 8-K filed March 4, 2009 and incorporated herein by reference).
(d)(27)	Stock Option Agreement (\$3.00 exercise price) dated December 18, 2008 by and between Broadpoint Securities Group, Inc. and Lee Fensterstock (filed as Exhibit 10.75 to the Company's Annual Report on Form 10-K filed March 26, 2009 and incorporated herein by reference).

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<b>Exhibit No.</b>	<b>Description</b>
(d)(28)	Stock Option Agreement (\$4.00 exercise price) dated December 18, 2008 by and between Broadpoint Securities Group, Inc. and Lee Fensterstock (filed as Exhibit 10.76 to the Company's Annual Report on Form 10-K filed March 26, 2009 and incorporated herein by reference).
(d)(29)	Stock Option Agreement (\$3.00 exercise price) dated December 18, 2008 by and between Broadpoint Securities Group, Inc. and Peter McNierney (filed as Exhibit 10.77 to the Company's Annual Report on Form 10-K filed March 26, 2009 and incorporated herein by reference).
(d)(30)	Stock Option Agreement (\$4.00 exercise price) dated December 18, 2008 by and between Broadpoint Securities Group, Inc. and Peter McNierney (filed as Exhibit 10.78 to the Company's Annual Report on Form 10-K filed March 26, 2009 and incorporated herein by reference).
(d)(31)	Restricted Stock Units Agreement dated January 1, 2009 by and between Broadpoint Securities Group, Inc. and Peter McNierney (filed as Exhibit 10.79 to the Company's Annual Report on Form 10-K filed March 26, 2009 and incorporated herein by reference).
(d)(32)	Restricted Stock Units Agreement dated January 1, 2009 by and between Broadpoint Securities Group, Inc. and Lee Fensterstock (filed as Exhibit 10.80 to the Company's Annual Report on Form 10-K filed March 26, 2009 and incorporated herein by reference).
(d)(33)	Restricted Stock Units Agreement dated February 13, 2009 by and between Broadpoint Securities Group, Inc. and Lee Fensterstock (filed as Exhibit 10.81 to the Company's Annual Report on Form 10-K filed March 26, 2009 and incorporated herein by reference).
(d)(34)	Restricted Stock Units Agreement dated February 13, 2009 by and between Broadpoint Securities Group, Inc. and Peter McNierney (filed as Exhibit 10.82 to the Company's Annual Report on Form 10-K filed March 26, 2009 and incorporated herein by reference).
(d)(35)	Restricted Stock Units Agreement dated February 13, 2009 by and between Broadpoint Securities Group, Inc. and Robert Turner (filed as Exhibit 10.83 to the Company's Annual Report on Form 10-K filed March 26, 2009 and incorporated herein by reference).
(d)(36)	Restricted Stock Units Agreement dated February 13, 2009 by and between Broadpoint Securities Group, Inc. and Patricia Arciero-Craig (filed as Exhibit 10.84 to the Company's Annual Report on Form 10-K filed March 26, 2009 and incorporated herein by reference).
(d)(37)	Trade Name and Trademark Agreement, dated June 5, 2009 by and among Broadpoint Securities Group, Inc., Eric J. Gleacher and certain other parties thereto (filed as Exhibit 10.3 to the Company's Current Report on Form 8-K filed June 8, 2009 and incorporated herein by reference).
(d)(38)	Amended and Restated Broadpoint Gleacher Securities Group, Inc. 2003 Non-Employee Directors Stock Plan (filed as Exhibit 10.1 to the Company's Current Report on Form 8-K filed June 22, 2009 and incorporated herein by reference).
(d)(39)	Amended and Restated Broadpoint Gleacher Securities Group, Inc. 2007 Incentive Compensation Plan (filed as Exhibit 10.2 to the Company's Current Report on Form 8-K filed June 22, 2009 and incorporated herein by reference).
(d)(40)	Form of 2003 Non-Employee Directors Stock Plan Restricted Stock Agreement (filed as Exhibit 10.89 to the Company's Quarterly Report on Form 10-Q filed August 14, 2009 and incorporated herein by reference).
(d)(41)	Form of 2003 Non-Employee Directors Stock Plan Stock Option Agreement (filed as Exhibit 10.90 to the Company's Quarterly Report on Form 10-Q filed August 14, 2009 and incorporated herein by reference).

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<b>Exhibit No.</b>	<b>Description</b>
(d)(42)	Restricted Stock Units Agreement dated June 30, 2009 by and between Broadpoint Gleacher Securities Group, Inc. and Peter McNierney (filed as Exhibit 10.91 to the Company's Quarterly Report on Form 10-Q filed August 14, 2009 and incorporated herein by reference).
(d)(43)	Restricted Stock Units Agreement dated June 30, 2009 by and between Broadpoint Gleacher Securities Group, Inc. and Lee Fensterstock (filed as Exhibit 10.92 to the Company's Quarterly Report on Form 10-Q filed August 14, 2009 and incorporated herein by reference).
(d)(44)	Restricted Stock Units Agreement dated August 21, 2009 by and between Broadpoint Gleacher Securities Group, Inc. and Lee Fensterstock (filed as Exhibit 10.2 to the Company's Current Report on Form 8-K filed August 27, 2009 and incorporated herein by reference).
(d)(45)	Letter Agreement between Broadpoint Gleacher Securities Group, Inc. and Lee Fensterstock dated February 21, 2010 (filed as Exhibit 10.1 to the Company's Current Report on Form 8-K filed February 22, 2010).
(d)(46)	Restricted Stock Units Agreement dated January 1, 2010 by and between Broadpoint Gleacher Securities Group, Inc. and Peter McNierney (filed as Exhibit 10.57 to the Company's Annual Report on Form 10-K filed March 15, 2010 and incorporated herein by reference).
(d)(47)	Restricted Stock Units Agreement dated January 1, 2010 by and between Broadpoint Gleacher Securities Group, Inc. and Lee Fensterstock (filed as Exhibit 10.58 to the Company's Annual Report on Form 10-K filed March 15, 2010 and incorporated herein by reference).
(d)(48)	Restricted Stock Units Agreement dated February 11, 2010 by and between Broadpoint Gleacher Securities Group, Inc. and Lee Fensterstock (filed as Exhibit 10.59 to the Company's Annual Report on Form 10-K filed March 15, 2010 and incorporated herein by reference).
(d)(49)	Restricted Stock Units Agreement dated February 11, 2010 by and between Broadpoint Gleacher Securities Group, Inc. and Peter McNierney (filed as Exhibit 10.60 to the Company's Annual Report on Form 10-K filed March 15, 2010 and incorporated herein by reference).
(d)(50)	Restricted Stock Units Agreement dated February 11, 2010 by and between Broadpoint Gleacher Securities Group, Inc. and Robert Turner (filed as Exhibit 10.61 to the Company's Annual Report on Form 10-K filed March 15, 2010 and incorporated herein by reference).
(d)(51)	Restricted Stock Units Agreement dated February 11, 2010 by and between Broadpoint Gleacher Securities Group, Inc. and Patricia Arciero-Craig (filed as Exhibit 10.62 to the Company's Annual Report on Form 10-K filed March 15, 2010 and incorporated herein by reference).
(d)(52)	Letter Agreement between Broadpoint Gleacher Securities Group, Inc. and Robert Turner dated March 31, 2010 (filed as Exhibit 10.1 to the Company's Current Report on Form 8-K filed March 31, 2010 and incorporated herein by reference).
(d)(53)	Letter Agreement, dated September 21, 2010, by and between Gleacher & Company, Inc. and Peter J. McNierney (filed as Exhibit 10.1 to the Company's Current Report on Form 8-K filed September 24, 2010 and incorporated herein by reference).
(d)(54)	Letter Agreement, dated October 27, 2010, by and between Gleacher & Company, Inc. and Eric J. Gleacher (filed as Exhibit 10.1 to the Company's Current Report on Form 8-K filed October 28, 2010 and incorporated herein by reference).

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<b>Exhibit No.</b>	<b>Description</b>
(d)(55)	Stock Option Agreement (1,350,000 shares) dated November 10, 2010 by and between Gleacher & Company, Inc. and Peter J. McNierney (filed as Exhibit 10.67 to the Company's Annual Report on Form 10-K filed March 15, 2011 and incorporated herein by reference).
(d)(56)	Stock Option Agreement (650,000 shares) dated November 10, 2010 by and between Gleacher & Company, Inc. and Peter J. McNierney (filed as Exhibit 10.68 to the Company's Annual Report on Form 10-K filed March 15, 2011 and incorporated herein by reference).
(d)(57)	Restricted Stock Units Agreement dated February 15, 2011, by and between Gleacher & Company, Inc. and Patricia Arciero-Craig (filed as Exhibit 10.69 to the Company's Annual Report on Form 10-K filed March 15, 2011 and incorporated herein by reference).
(d)(58)	Restricted Stock Units Agreement dated February 15, 2011, by and between Gleacher & Company, Inc. and Jeffrey Kugler (filed as Exhibit 10.70 to the Company's Annual Report on Form 10-K filed March 15, 2011 and incorporated herein by reference).
(d)(59)	Letter Agreement, dated April 18, 2011, between the Company and Thomas J. Hughes (filed as Exhibit 10.1 to the Company's Current Report on Form 8-K filed April 22, 2011 and incorporated herein by reference).
(d)(60)	2007 Incentive Compensation Plan Stock Option Agreement dated May 9, 2011, by and between Gleacher & Company, Inc. and Thomas J. Hughes (filed as Exhibit 10.4 to the Company's Quarterly Report on Form 10-Q filed May 10, 2011 and incorporated herein by reference).
(d)(61)	Inducement Stock Option Agreement dated May 9, 2011, by and between Gleacher & Company, Inc. and Thomas J. Hughes (filed as Exhibit 10.5 to the Company's Quarterly Report on Form 10-Q filed May 10, 2011 and incorporated herein by reference).
(d)(62)	Inducement Restricted Stock Units Agreement dated May 9, 2011, by and between Gleacher & Company, Inc. and Thomas J. Hughes (filed as Exhibit 10.6 to the Company's Quarterly Report on Form 10-Q filed May 10, 2011 and incorporated herein by reference).
(d)(63)	Letter Agreement, dated April 22, 2011, between the Company and Peter J. McNierney (filed as Exhibit 10.5 to the Company's Current Report on Form 8-K filed April 22, 2011 and incorporated herein by reference).
(d)(64)	Letter Agreement, dated July 7, 2011, by and between Gleacher & Company, Inc. and John Griff (filed as Exhibit 10.1 to the Company's Current Report on Form 8-K filed July 13, 2011 and incorporated herein by reference).
(d)(65)	2007 Incentive Compensation Plan Stock Option Agreement, dated August 4, 2011, by and between Gleacher & Company, Inc. and John Griff (filed as Exhibit 10.2 to the Company's Quarterly Report on Form 10-Q filed August 8, 2011 and incorporated herein by reference).
(d)(66)	Form of 2003 Non-Employee Directors Stock Plan Restricted Stock Agreement (filed as Exhibit 10.3 to the Company's Quarterly Report on Form 10-Q filed August 8, 2011 and incorporated herein by reference).
(d)(67)	Form of 2003 Non-Employee Directors Stock Plan Option Agreement (filed as Exhibit 10.4 to the Company's Quarterly Report on Form 10-Q filed August 8, 2011 and incorporated herein by reference).
(d)(68)	Letter Agreement between Gleacher & Company, Inc. and Jeffery Kugler, dated August 22, 2011 (filed as Exhibit 10.1 on the Company's Current Report on Form 8-K filed August 22, 2011 and incorporated herein by reference).

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<b>Exhibit No.</b>	<b>Description</b>
(d)(69)	Letter Agreement between Broadpoint Gleacher Securities Group, Inc. and Robert Turner, dated March 31, 2010 (filed as Exhibit 10.1 to the Company's Current Report on Form 8-K filed March 31, 2010 and incorporated herein by reference).
(g)	Not applicable.
(h)	Not applicable.

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\*  
Previously filed with the Schedule TO on September 14, 2011.

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Previously filed with Amendment No. 2 on November 3, 2011.

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QuickLinks

INTRODUCTION

Item 12. Exhibits

SIGNATURE

EXHIBIT INDEX

ions to a third party. 19 Strayer University records tuition receivable when students register for the academic quarter, generally prior to the end of the previous academic quarter. Because the University's academic quarters coincide with the calendar quarters, tuition receivable at the end of any calendar quarter largely represents student tuition due for the following academic quarter. Based upon past experience and judgment, the University establishes an allowance for doubtful accounts with respect to accounts receivable not included in unearned tuition. Any uncollected account more than six months past due is charged against the allowance. Our bad debt expense as a percentage of revenue for the years ended December 31, 1999, 2000 and 2001 was 2.4%, 2.7% and 1.7%, respectively. Strayer University's expenses consist of instruction and educational support expenses, selling and promotion expenses, and general and administration expenses. Instruction and educational support expenses generally contain items of expense directly attributable to the educational activity of the University. This expense category includes salaries and benefits of faculty, academic administrators and student support personnel. Instruction and educational support expenses also include costs of educational supplies and facilities, including rent on campus leases, certain costs of establishing and maintaining computer laboratories and all other physical plant and occupancy costs, with the exception of costs attributable to the corporate offices located in Arlington and Newington, Virginia. Selling and promotion expenses include salaries and benefits of personnel engaged in recruitment, admissions, promotion and development, as well as costs of advertising and production of marketing materials. General and administration expenses include salaries and benefits of employees engaged in management, student services, accounting, human resources, compliance and other business functions, along with the occupancy costs attributable to such functions. Investment and other income consists primarily of earnings and realized gains on investments. CRITICAL ACCOUNTING POLICIES AND ESTIMATES "Management's Discussion and Analysis of Financial Condition and Results of Operations" discusses our consolidated financial statements, which have been prepared in accordance with the generally accepted accounting principles of the United States. The preparation of these consolidated financial statements requires management to make estimates and judgments that affect the reported amounts of assets, liabilities, revenues and expenses and the related disclosures of contingent assets and liabilities. On an ongoing basis, management evaluates its estimates and judgments related to its allowance for uncollectible accounts, reserves for student loan losses, income tax provisions and accrued expenses. Management bases its estimates and judgments on historical experience and various other factors and assumptions that are believed to be reasonable under the circumstances, the results of which form the basis for making judgments regarding the carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates under different assumptions or conditions. Management believes that the following critical accounting policies affect its more significant judgments and estimates used in the preparation of its consolidated financial statements. We record estimates for our allowance for uncollectible accounts for tuition receivable from students and for loan loss reserves from student loans granted. If the financial condition of our students were to deteriorate, resulting in impairment of their ability to make required payments for tuition or loans payable to us, additional allowances and loan reserves may be required. We record estimates for our accrued expenses and income tax liabilities. Should actual results differ from our estimates, revisions to our accrued expenses and income tax liabilities may be required. 20 RESULTS OF OPERATIONS The following table sets forth certain income statement data as a percentage of revenues for the periods indicated: NINE MONTHS YEAR ENDED DECEMBER 31, ENDED SEPTEMBER 30, ----- 1999 2000 2001 2001 2002 -----

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Revenues .....	100%	100%	100%	100%	100%	----	----	----	----					
Costs and expenses: Instruction and educational support .....	35.9	36.0	36.3	36.7	36.1	Selling and promotion								
.....	11.1	10.8	13.5	13.3	15.2	General and administration .....	13.5	13.6	14.1	14.3	15.5	----	----	----



promotion expenses. Selling and promotion expenses increased 9.2% from \$7.8 million in 1999 to \$8.5 million in 2000 principally due to increased advertising costs and the addition of admissions personnel. General and administration expenses. General and administration expenses increased 12.9% from \$9.4 million in 1999 to \$10.6 million in 2000 principally due to the addition of administrative personnel in order to support increased enrollments and the addition of a new campus in Chesterfield, Virginia. Income from operations. Income from operations increased 12.4% from \$27.5 million in 1999 to \$30.9 million in 2000 primarily due to the increases in student enrollment and tuition in 2000. Investment and other income. Investment and other income increased 10.6% from \$4.3 million in 1999 to \$4.8 million in 2000 due to an increase in realized investment gains and interest on higher levels of invested cash and cash equivalents. 22 Provision for income taxes. Income tax expense increased 11.8% from \$12.5 million in 1999 to \$14.0 million in 2000 primarily due to the increase in income before taxes attributable to the factors discussed above and no material change in our tax rate. Net income. Net income increased 12.3% from \$19.3 million in 1999 to \$21.7 million in 2000 because of the factors discussed above. SEASONALITY Our quarterly results of operations tend to vary significantly within a year because of student enrollment patterns. Enrollment generally is highest in the fourth, or fall quarter, and lowest in the third, or summer quarter. In 2001, enrollments at the beginning of the winter, spring, summer and fall academic quarters were 12,005, 12,044, 9,379 and 14,009, respectively. Costs generally are not affected by the seasonal factors and do not vary significantly on a quarterly basis. To some extent, however, instruction and educational support expenses are lower in the third quarter because fewer part-time faculty are needed. The following table sets forth our revenues on a quarterly basis for the years ended December 31, 1999, 2000 and 2001. QUARTERLY REVENUES 1999 2000 2001 -----

THREE MONTHS ENDED	AMOUNT	PERCENT	AMOUNT	PERCENT	AMOUNT	PERCENT
----- (in thousands)						
March 31	\$ 18,914	27%	\$21,128	27%	\$23,644	25%
June 30	17,643	25	20,325	26	23,826	26
September 30	12,866	19	14,691	19	18,222	20
December 31	20,353	29	22,070	28	27,184	29
-----						
Total for Year	\$ 69,776	100%	\$78,214	100%	\$92,876	100%

LIQUIDITY AND CAPITAL RESOURCES At September 30, 2002, we had cash, cash equivalents and marketable securities of \$56.8 million compared to \$57.7 million at December 31, 2001. We had no debt as of September 30, 2002 or December 31, 2001. Beginning in the second quarter of 2002, we began investing in a diversified no load, short-term, investment grade corporate bond fund in an effort to generate a somewhat higher yield on our short term, liquid assets than our holdings in overnight and money market funds, but take only limited credit and interest rate risk. As of September 30, 2002, we had invested a total of \$12 million in this fund. At September 30, 2002, the 425 issues in this fund had an average credit rating of Aa3, an average maturity of 2.7 years and an average duration of 2.2 years, as well as an average yield of 4.3%. We generated \$19.4 million from operating activities in the first nine months of 2002. Capital expenditures for the nine months ended September 2002 were \$16.1 million, of which \$12 million was in the first quarter for the purchase of three campus facilities. In the third quarter, bad debt expense increased from 0.9% of revenue in 2001 to 1.3% for the same period in 2002. Days sales outstanding, adjusted to exclude tuition receivable related to future quarters, was seven days in the third quarter of 2002, unchanged compared to the same period in 2001. Currently, we invest our cash in bank overnight deposits, money market funds and the short-term corporate bond fund described above. In addition, we have available two \$10 million credit facilities from banks under which there is no outstanding balance drawn. We believe that existing cash and cash equivalents, the no load short-term corporate bond fund, cash generated from operating activities, and if necessary, cash borrowed under the credit facilities, will be sufficient to meet our cash requirements for at least the next 12 months. 23 We have the following contractual commitments associated with operating leases and preferred stock cash dividends as of September 30, 2002: PAYMENTS DUE BY PERIOD (IN THOUSANDS) -----

	AFTER	5	WITHIN 1 YEAR	2-3 YEARS	4-5 YEARS	YEARS
Operating Leases	\$ 5,264	\$ 8,036	\$ 5,421	\$16,343		
Preferred Stock Cash Dividends*	5,250	10,500	10,590	21,065		
Total	\$18,536	\$16,011	\$37,408			

\* Preferred stock cash dividend amounts have not been adjusted to reflect this offering. Common stock dividend payments, while not a contractual commitment, have historically been paid by us. TOTAL POTENTIAL SHARE ISSUANCE Shares used to compute diluted earnings per share include common shares issued and outstanding, the assumed conversion of shares of Series A Preferred Stock outstanding or accrued and the assumed exercise of issued stock options using the treasury stock method. As of September 30, 2002, our total current and potential shares outstanding are as follows: Current -----

Common shares outstanding at September 30, 2002 ..... 8,352,412(a) Series A Preferred Stock, convertible on a 1:1 basis, outstanding or accrued at September 30, 2002 ..... 6,003,869(a) Authorized, issued and outstanding options using Treasury Stock Method ..... 200,250 ----- Subtotal ..... 14,556,531 Potential ----- Accrual of payment-in-kind dividends on Series A Preferred Stock through May 2006 ..... 962,924(a)(b) Total issued stock options, less options accounted for using the Treasury Stock Method above ..... 769,750 Authorized but unissued options ..... 579,405 ----- Subtotal ..... 2,312,079 ----- Total current and potential

..... 16,868,610 ===== (a) Since this information is as of September 30, 2002, the impact of the conversion of our Series A Preferred Stock to common stock in connection with this offering has not been included. (b) The actual number of preferred stock dividends may be smaller as we have the right to redeem, and thereby cause conversion of, our Series A Preferred Stock into common stock after May 15, 2004 if our common stock price trades above \$52.00 per share for 20 consecutive trading days.

**24 BUSINESS OVERVIEW** Our company is a for-profit post-secondary education services company. 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 Strayer University, both in traditional classroom courses and through Strayer ONLINE. Strayer University prides itself on making post-secondary education accessible to working adults who missed or were previously unable to take advantage of education opportunities. Founded in 1892, Strayer University is an institution of higher learning that offers undergraduate and graduate degree programs in business administration, accounting and information technology at 20 campuses in Maryland, Virginia, North Carolina and Washington, D.C. As of September 30, 2002, we had more than 16,500 students enrolled in our degree programs. Strayer University is accredited by Middle States, one of the six regional collegiate accrediting agencies recognized by the U.S. Secretary of Education. Strayer University is committed to providing an education that prepares working adult students for advancement in their careers and professional lives. It attracts students from around the country and throughout the world. As part of its program offering, the University also offers classes via the internet through Strayer ONLINE, providing its working adult students a more flexible and convenient program offering and allowing students worldwide to take advantage of Strayer University's programs. We have experienced significant internal growth through new campus openings and geographic expansion over the last several years. Since our initial public offering in 1996, we have grown from eight campuses in one state and Washington, D.C. to 20 campuses in three states and Washington, D.C., with six of our campuses opened since the beginning of 2001. At the same time, we have developed a robust and rapidly growing online education program. Since receiving regulatory approval to offer our degree programs through Strayer ONLINE in 1997, we have experienced rapid growth, with 6,822 students enrolled in at least one class through Strayer ONLINE during the 2002 fall term. In connection with our recapitalization 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 an aggressive program to open new campuses. As a result of these efforts, our total revenues grew 19% last year from \$78.2 million in 2000 to \$92.9 million in 2001, with fall term enrollment growing from 12,100 students in 2000 to over 14,000 students in 2001. This strong growth has continued in 2002, with our total revenues growing 26% from approximately \$65.7 million during the nine months ended September 30, 2001 to \$82.5 million over the same period in 2002. During this period of significant revenue growth, net income has remained relatively flat primarily due to our significant investment in these new growth initiatives.

**INDUSTRY BACKGROUND AND OUTLOOK** The market for post-secondary education is large, growing and highly fragmented. Total expenditures in the post-secondary education market are expected to increase 33% (in constant 1998-1999 dollars) between 2000 and 2010 from \$228 billion to \$303 billion, and total student enrollments are expected to increase 17%, from 15.0 million to 17.5 million during the same period. We believe that the demand for career-oriented, post-secondary education will increase during the next several years as a result of several demographic, economic and social trends, including: o an increase in demand by employers for professional and skilled workers, with an estimated 7.0 million jobs requiring skilled labor expected to be created between 2000 and 2010; o a projected 10% growth in the annual number of high school graduates from 2.8 million in 2000 to 3.1 million in 2010; o our expectation that the number of adults (persons 25 years old and older) enrolling in post-secondary education will increase significantly; 25 o the significant and measurable income premium attributable to post-secondary education; and o 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 and training to update and improve their skills in order to enhance their earnings potential and to keep pace with the increasing demands of a knowledge-based economy. In addition, we believe that many working adults will seek accredited degree programs that provide flexibility to accommodate the fixed schedules and time commitments associated with their professional, family and personal obligations.

**COMPANY STRENGTHS** We have a 110-year operating history and a proven track record of providing education programs for working adults. We believe the following strengths distinguish us from our competitors and position us to capitalize on the growing demand for post-secondary education among working adults:

- o **CONSISTENT OPERATING HISTORY.** We have been in continuous operation since 1892 and have demonstrated an ability to grow consistently and profitably. Our enrollments and revenues have grown each year since our initial public offering in 1996.
- o **PRACTICAL AND DIVERSIFIED CURRICULA.** We offer core curricula in stable, high demand areas of education. In order to keep pace with a changing knowledge-based economy, we constantly strive to meet the evolving needs of our students and their employers by regularly refining and updating our existing educational programs. Additionally, we replicate programs that are successful in a given school at additional locations throughout our network of campuses. Strayer University currently offers 32 different degree, diploma and certificate programs to its students. We believe that our diversified program offerings provide us with greater stability of enrollments versus competitors that are more focused in one particular field of study.
- o **FOCUS ON WORKING ADULTS PURSUING DEGREE PROGRAMS.** We focus on helping working adults pursue 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 (1) the growing number of adult students enrolling in post-secondary education programs and (2) the highly motivated nature of adult students given the personal sacrifices and time commitments required to attend class while balancing their busy schedules. In addition, we believe that our focus on associate, bachelor and graduate-level degree programs results in extended periods of student enrollment and positively impacts the visibility and predictability of our future revenues. Approximately 95% of our students were enrolled in degree programs as of September 30, 2002.
- o **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. During the fall 2002 quarter, over 85% of the courses we offered were night or weekend courses. Additionally, we developed Strayer ONLINE to enable students to pursue a degree entirely online, thereby increasing the accessibility and flexibility of our high quality educational content. Approximately 41% of our traditional students enrolled as of the fall 2002 quarter were taking or have taken at least one course through Strayer ONLINE. We believe that these flexible offerings distinguish us from many traditional universities that currently do not effectively address the unique requirements of working adults.
- o **ATTRACTIVE AND CONVENIENT CAMPUS LOCATIONS.** Our campuses are located in growing metropolitan areas in the mid-Atlantic region where there are large populations of working adults. These geographic areas offer 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.
- o **ESTABLISHED BRAND NAME AND ALUMNI SUPPORT.** With a 110-year operating history, Strayer University is an established brand name in post-secondary adult learning, and our students and graduates work throughout corporate America. Our extensive alumni network (currently over 19,700 alumni worldwide) and support system fosters additional recruitment opportunities and assists students with job placement and career advancement. Strayer University was ranked first in the Washington Business Journal's 2002 Book of Lists for having the largest enrollment in graduate business and management programs in the Washington, D.C. metropolitan area.
- o **STRONG OWNER-ORIENTED MANAGEMENT TEAM.** In connection with our May 2001 recapitalization, we developed a new growth strategy and hired a new senior management team in March of 2001 to implement this strategy. As described below, under the leadership of Robert S. Silberman, our Chief Executive Officer, we have embarked on various initiatives to increase enrollment and expand our campuses. In addition, all of our senior officers have made investments in Strayer through outright share purchases in addition to their option grants.

**COMPANY STRATEGY** Our goal is to be a leading provider of high quality post-secondary education programs for working adults primarily in the areas of business administration, accounting and information technology. 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. We have identified the

following factors as key to executing our growth strategy:

- o **MAINTAIN STABLE ENROLLMENT IN OUR MATURE MARKETS.** At September 30, 2002, we had 12 mature campuses (those in operation for more than three years). Over the last five years, average enrollment at our mature campuses has remained stable, while tuition has increased approximately 5% per year. Our goal is to maintain stable campus enrollments in our mature markets, while increasing revenues through a combination of complementary growth in those mature markets through Strayer ONLINE and continuing market-based tuition increases.
- o **ACCELERATE NEW CAMPUS GROWTH.** Our goal is to open two to three new campuses per year (including two to three campuses by fall 2003) by filling out the Washington, D.C., Maryland, Virginia and North Carolina areas and by expanding into contiguous states that exhibit strong enrollment potential. We believe this strategy will leverage our existing investment in curriculum, management and marketing infrastructure. Since our initial public offering in 1996, we have grown from eight campuses to twenty campuses while expanding into two new states. We opened three new campuses in 2001, in Baltimore, Maryland and in Chesapeake and Newport News, Virginia. By the spring 2002 quarter, these three new schools had average enrollments ahead of the growth in average student enrollments we have experienced at new schools in the past. On July 1, 2002, we began offering classes at three new campuses in North Carolina (one in Raleigh-Durham and two in Charlotte). Our new campuses have typically turned profitable after five to six quarters of operation. Due to strong demand at our Raleigh-Durham campus, we intend to open a second campus in the Raleigh-Durham area by fall 2003. We have received approval from the South Carolina Commission on Higher Education to offer academic programs at up to three campuses in South Carolina. In addition, the Committee on Post-Secondary Educational Institutions of the Tennessee Higher Education Commission recommended authorization of two new campuses in the State of Tennessee, subject to review and final approval by the full Commission. We have also applied to operate in Pennsylvania and Delaware and expect to pursue approval in these states as part of our multi-year expansion plan.
- o **CONTINUE OUR GROWTH AT STRAYER ONLINE.** We actively market Strayer ONLINE to U.S. students throughout all 50 states and to international students on a global basis. Strayer ONLINE 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 27 and online courses allows us to better serve our working adult students. Due to the convenience and flexibility of online teaching, this medium has rapidly grown in acceptance and is expected to continue to enjoy rapid growth. Enrollment at Strayer ONLINE has grown at a greater than 80% compounded annual growth rate since its inception in 1997. Enrollment in markets outside of commuting distance to a Strayer University physical campus has grown at a greater than 50% compounded annual growth rate in this period. There were 6,822 students taking at least one online course as of the 2002 fall term.
- o **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 sponsorship and reimbursement arrangements of varying sorts with over 80 corporations and government institutions, including AT&T, Verizon, General Motors, PEPCO, SallieMae, Northrop Grumman Information Technology, EDS, UPS, Lockheed Martin, Raytheon, the Defense Logistics Agency, the National Guard, the District of Columbia, the General Services Administration, the United States Navy Audit Agency and the U.S. Department of Energy. In addition, we recently established partnerships with Alstom Power Company and the Federal Reserve Bank of Richmond. We are actively working with other institutions to increase the number of such arrangements.
- o **CONSIDER SELECTIVE ACQUISITIONS.** We periodically evaluate opportunities to acquire other providers of post-secondary education. When exploring acquisition opportunities, we seek schools that we believe offer programs with a good strategic fit to our current curricula and that have demonstrated compliance with regulatory requirements and accreditation standards. We also seek out operations that are located in geographic locations that possess attractive demographic characteristics. In addition, we also consider other factors such as price, the availability of financing on acceptable terms, competitive factors and the opportunity to improve operating performance through the implementation of our operating strategies. We compare potential acquisitions to other alternative uses of our capital (including but not limited to organic growth alternatives, share repurchases and special or increased dividends) in terms of return on capital and enhancing shareholder value. We have no current commitments with regard to potential acquisitions.

**STRAYER UNIVERSITY CURRICULUM** Strayer University offers information technology and business-oriented curricula to equip students with specialized and practical knowledge and skills for careers in business, industry and government. Our Academic Curriculum Committee

periodically reviews and revises the University's course offerings to improve the educational programs and respond to competitive changes in job markets. In 1993, Strayer University formed a Curriculum Advisory Board. The composition of the Curriculum Advisory Board varies over time, but typically consists of Strayer University faculty, current and former Strayer students and representatives from private and government employers. The Curriculum Advisory Board supports the program evaluation process and tracks the career progress of Strayer University alumni. Strayer University uses these studies to make decisions about curriculum development, resource allocation and faculty appointments. 28 Strayer University offers programs in the following areas: Graduate Programs Undergraduate Programs ----- o Master of Business Administration o Bachelor of Science (B.S.) Degree (M.B.A.) Degree Accounting o Master of Science (M.S.) Degree Business Administration Computer Information Systems Communications Technology Computer Networking Information Systems Database Technology Management Information Systems Economics Professional Accounting International Business Internetworking Technology o Executive Graduate Certificate Programs o Associate in Arts (A.A.) Degree Business Administration Computer Information Systems Accounting Professional Accounting Acquisition and Contract Management Business Administration Computer Information Systems Computer Networking Database Technology Economics General Studies Internetworking Technology Marketing o Undergraduate Diploma Programs Acquisition and Contract Management Computer Information Systems Internetworking Technology Network Security Web Development o Undergraduate Certificate Programs Accounting Business Administration Computer Information Systems 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 offered at each campus, the University adapts its course offerings to the preferences 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 A.A. degree in computer information systems, a B.S. degree in computer information systems, and ultimately an M.S. degree in 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. STRAYER ONLINE In August 1997, we began the operation of Strayer ONLINE. Through Strayer ONLINE, the University offers courses and degree programs via the internet using both synchronous (real time) and asynchronous (on demand) approaches to online learning. The asynchronous format was first utilized 29 by the University in the summer 2001 quarter and has grown rapidly due to increasing demand. Students may take all of their courses solely through Strayer ONLINE or may take online courses as a supplement to traditional, site-based courses. A student taking classes through Strayer 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 Strayer ONLINE courses is the same as for campus courses. During the fall 2002 quarter, Strayer University had 6,822 students participating in its online programs, 5,401 of whom took classes solely through Strayer ONLINE. FACULTY Strayer University seeks to appoint 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. With the approval of the campus deans, faculty members may teach a fifth course per quarter and extra courses during the summer quarter for additional compensation. Strayer University requires full-time faculty members to hold student counseling hours at least two hours per week for each course they teach. We provide financial support for faculty members seeking to update their skills and knowledge. Strayer University maintains a tuition plan that typically reimburses instructors enrolled in advanced degree programs for 50% of the tuition for one new course per term and conducts annual in-house faculty workshops in each discipline. Strayer University also fully reimburses its faculty for their costs in receiving computer-related instruction and training to keep current in information technology developments. ORGANIZATION OF STRAYER UNIVERSITY Strayer University organizes its academic programs and administrative operations on a regional and campus basis. 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 Scott Steffey, Strayer's Executive Vice President and Chief Operating Officer and former Vice Chancellor of the State University of New York, and Dr. Donald Stoddard, the University's President, as well as the following non-mangement members: Dr. Peter Salins Dr. Salins is Provost and Vice Chancellor for Academic Affairs and Chief Academic Officer at the State University of New York. Roland Carey Mr. Carey is a former Director of Strayer and previously served as an advisor to the Louisa County Public School System of Virginia and a school Program Coordinator. Dr. Jennie Seaton Dr. Seaton is a former Director of Strayer and previously served as Assistant Dean of Virginia Commonwealth University. Todd A. Milano Mr. Milano is President and Chief Executive Officer of Central Pennsylvania College and a Director of Strayer. Dr. Charlotte F. Beason Dr. Beason is the Vice Chair, Commission on Collegiate Nursing Education and Program Director, U.S. Department of Veterans Affairs and a Director of Strayer. G. Thomas Waite, III Mr. Waite is the Chief Financial Officer and Treasurer of The Humane Society of the United States and a Director of Strayer. 30 Within the parameters of the academic and financial direction set by its Board of Trustees, Strayer University is managed on a day-to-day basis by the University President and Provost as to academic matters, as well as by four regional managers who are responsible for implementing Board policy and meeting commercial and budgetary goals for their respective regions. The four regional managers are: James F. McCoy -- Regional Director -- Southern Virginia and North Carolina Michael O. Williams -- Regional Director -- Northern Virginia and Washington, D.C. Betty Shuford -- Regional Director -- Maryland Pamela S. Bell -- Director -- Strayer ONLINE Similarly, at the campus level, the day-to-day campus operations are managed by a campus manager 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. **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; print and broadcast advertising; student referrals and corporate and government outreach activities. Direct response methods (direct mail and email advertising) are used to generate inquiries from potential students and their employers. 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 to students and alumni with information about new programs and new locations to encourage them to return for further education. **STUDENT PROFILE** The majority of Strayer University students are working adults pursuing 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 2002 fall quarter, approximately 59% were age 30 or older and approximately 71% were engaged in a part-time (fewer than three courses each quarter) course of study. In the 2002 fall quarter, our students registered for an average of 8.8 course credits (about two classes per student). Strayer University has a very diverse student body. In 2001, 52% of students were minorities and 56% of students were women. Approximately 7% of the University's students were international, including those taking courses through Strayer ONLINE. Approximately 14% of the University's students have a military background, either as active duty personnel, veterans or reservists. Through Strayer ONLINE, the University offered courses to students in all 50 states and 39 foreign countries in 2001. Strayer University prides itself on making post-secondary education accessible to working adults who missed or were previously unable to take advantage of education opportunities. 31 The following is a breakdown of our students by program level at December 31, 2001:

<b>NUMBER PERCENTAGE OF DEGREE PROGRAMS OF STUDENTS DEGREE STUDENTS -----</b>			
-----	Bachelors .....	8,686 70%	Masters .....
			2,241 18%
	Associates .....	1,541 12%	----- -- Total Degree Students .....
			12,468 100% =====
<b>PERCENTAGE OF NUMBER NON-DEGREE NON-DEGREE PROGRAMS OF STUDENTS STUDENTS -----</b>			
-----	Diploma .....	700 45%	Undeclared .....
			841 55%
	----- -- Total Non-Degree Students .....	1,541 100%	=====

**STUDENT ADMISSIONS** Strayer University seeks to ensure that incoming students have the necessary academic background to succeed in their course of study. Students attending Strayer University's

undergraduate programs must possess a high school diploma or a General Educational Development Certificate. Students attending Strayer University's graduate programs must have a bachelor's degree from an accredited institution. If a student's undergraduate major varies widely from the student's proposed graduate course of study, certain undergraduate foundation courses may be necessary for admission to some of the highly technical courses offered at the graduate level. 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. **TUITION AND FEES** Strayer charges tuition by the credit hour. All courses offered are 4.5 credit hours. As of January 1, 2002, undergraduate full-time students are charged at the rate of \$220.50 per credit hour. Undergraduate part-time students are charged at the rate of \$231.00 per credit hour. Courses in graduate programs are charged at the rate of \$294.00 per credit hour. Accordingly, a full-time student seeking to obtain a bachelor's degree in four years currently would pay approximately \$9,900 per year in tuition. Strayer University implemented a tuition increase of 5% per credit hour effective January 1, 2002. Under a variety of different programs, Strayer University offers scholarships and tuition discounts to active and reserve military students and in connection with various corporate and government sponsorship and tuition reimbursement arrangements. **SEL PROGRAM** In 1995, we introduced the Strayer Education Loan Program (the "SEL Program") for eligible students as an alternative to government sponsored student loans. Education Loan Processing, Inc., a wholly-owned subsidiary, administers the SEL Program for Strayer University. In addition to serving as an alternative to the federal loan programs, the SEL Program can service loans at a competitive cost. We designed the SEL Program for working adult students. Borrowers make payments while enrolled, thereby reducing the debt they otherwise would assume upon completion of their studies. While enrolled at Strayer University, the minimum monthly payment on the loan is a percentage of the balance each month. Upon completion of their schooling, students are placed on a fixed payment plan. The loans generally have maturities ranging from one to four years after graduation and bear 32 interest at a rate that is competitive with rates under federal student loan programs. At December 31, 2001, there were 2,798 loans outstanding with an aggregate loan balance of approximately \$8.9 million and an average individual loan balance of approximately \$3,200. Loans under the SEL Program are unsecured. Before making loans, we conduct a credit evaluation and verify the employment of each applicant. Student defaults on loans extended under the SEL Program have historically approximated 2% of total dollars loaned. **STRAYER FOUNDATION SCHOLARSHIPS** The Strayer University Education Foundation (the "Foundation") was established by a former majority stockholder of Strayer as an independent entity to provide scholarships and grant assistance for needy students who wish to pursue a program of study at Strayer University. The Foundation has a nine member Board of Trustees, including independent members (as well as Dr. Stoddard and Mr. Steffey), and oversees a variety of scholarship and grant programs for students based on eligibility criteria established by the Foundation's Board of Trustees. The Foundation had \$2.3 million in assets at December 31, 2001 and issued 93 scholarships and other awards totaling approximately \$100,000 in 2001. **CAREER DEVELOPMENT SERVICES** Although most of Strayer University's students are adults who are already employed, the University actively assists its students and alumni with job placement and other career-related matters through career development offices in each region where the University has campuses. Strayer's career development personnel conduct workshops on employment-related topics (including resume preparation, interviewing techniques and job search strategies), maintain job listings, arrange campus interviews by employers and provide other placement assistance. Strayer University sponsors career fairs in the fall and spring quarters for students and alumni to discuss career opportunities with companies and governmental agencies. We regularly conduct alumni surveys to monitor the career progression of our graduates and to comply with Middle States and state requirements to perform outcome assessments. The 2000 alumni survey, which had an approximately 24% overall response rate, indicated that 91% of those responding were employed. According to the survey, Strayer University's greatest assets, in order of importance, are campus location, schedule variety, instructor knowledge, course selection, online courses and small class sizes. Strayer University students and graduates are employed by a wide range of companies and many governmental agencies. **EMPLOYEES** As of December 31, 2001, Strayer University employed 486 faculty members, of whom 116 were full-time and 370 were part-time, and 474 non-faculty staff in information systems, financial aid, recruitment and admissions, payroll and human resources, corporate accounting and other administrative functions. Of the University's non-faculty staff, 365 were employed full-time and 109 were employed part-time. **INTELLECTUAL PROPERTY** In the ordinary course of its business, Strayer develops many kinds of intellectual property that are or will be the subject

of copyright, trademark, servicemark, patent, trade secret or other protections. Such intellectual property includes Strayer's courseware materials for classes taught via the internet or other distance-learning means and business know-how and internal processes and procedures developed to respond to the requirements of its operations and various education regulatory agencies. Strayer also claims a common law right to the mark "STRAYER" for educational services and has applied for federal registration of the mark. 33 PROPERTIES We have 20 campuses and five other properties, seven of which are owned and 18 of which are leased. The table set forth below lists each of our properties. CAMPUSES OTHER PROPERTIES ----- Alexandria, VA Corporate Headquarters (Arlington, VA) Anne Arundel County, MD Jessup, MD Arlington, VA Newington, VA Chesapeake, VA Strayer ONLINE (Lorton, VA) Charlotte, NC (two campuses) Washington, D.C. Library/Annex Chesterfield, VA Fredericksburg, VA Henrico County (Glen Allen, VA) Loudoun (Ashburn, VA) Manassas, VA Montgomery County (Germantown, MD) Newport News, VA Owings Mills, MD Prince George's County, MD Raleigh-Durham, NC Takoma Park (Washington, D.C.) Washington, D.C. White Marsh (Baltimore, MD) Woodbridge, VA REGULATION REGULATORY ENVIRONMENT The Higher Education Act and the regulations promulgated thereunder require all higher education institutions that participate in the various Title IV programs, including Strayer University, both to comply with detailed substantive and reporting requirements and to undergo periodic regulatory scrutiny. The Higher Education Act mandates specific regulatory responsibility for each of the following components of the higher education regulatory triad: (1) the federal government through the U.S. Department of Education; (2) the institutional accrediting agencies recognized by the U.S. Secretary of Education and (3) state higher education regulatory bodies. The regulations, standards and policies of these regulatory agencies are subject to change. ACCREDITATION Strayer University has been institutionally accredited since 1981 by Middle States, a regional accrediting agency recognized by the U.S. Secretary of Education. Accreditation is a system for recognizing educational institutions and their programs for performance, integrity, educational quality, faculty, physical resources, administrative capability and financial stability that entitles them to the confidence of the educational community and the public. In the United States, this recognition comes primarily through private voluntary associations of institutions and programs of higher education. These associations establish criteria for accreditation, conduct peer-review evaluations of institutions and professional programs for accreditation and publicly designate those institutions that meet their criteria. Accredited schools are subject to periodic review by accrediting bodies to ensure that such schools maintain the performance, integrity and quality required for accreditation. Middle States is the same accrediting agency that grants institutional accreditation to other degree-granting public and private colleges and universities in its region (namely, Delaware, District of Columbia, Maryland, New Jersey, New York, Pennsylvania, Puerto Rico and U.S. Virgin Islands). Accreditation by Middle States is an important attribute of Strayer University. Colleges and universities depend on accreditation in evaluating transfers of credit and applications to graduate schools. Employers rely on the accredited status of institutions when evaluating a candidate's credentials, and students and corporate and government sponsors under tuition reimbursement programs look to accreditation for assurance that an institution maintains quality educational standards. Moreover, institutional accreditation is necessary to qualify for eligibility for federal student financial assistance. Middle States reaffirmed our accreditation in 2000 for a ten-year period. The accrediting agencies that accredit higher education institutions in various regions of the United States have recently adopted a "Policy on Evaluation of Institutions Operating Interregionally." Under that policy both the "home" regional accreditor and the "host" regional accreditor cooperate to evaluate an institution that delivers education at a physical site in the host accreditor's region. Although the home region is solely responsible for final accreditation actions, as we open campuses in regions outside the Middle States region, the host regional accreditors also will participate in the accreditation process of such expansion operations. STATE LICENSURE We are authorized to offer our programs, including those offered through Strayer ONLINE, by the applicable educational regulatory agencies in all states where our campuses and Strayer ONLINE facilities are located. We are dependent upon the authorization of each state where we are physically located to allow us to operate and to grant degrees or diplomas to students in those states. We are subject to extensive regulation in each of the four jurisdictions (the District of Columbia, Virginia, Maryland and North Carolina) in which we currently maintain campuses, and we will be subject to similar extensive regulation in those additional states in which we may expand our operations in the future. State laws and regulations affect our operations and may limit our ability to introduce educational programs or establish new campuses. We are required by the Higher Education Act to maintain state licensure in each state where we maintain a campus that participates in Title IV programs. OTHER APPROVALS We are approved by appropriate authorities for the education of veterans

and members of the selective reserve and their dependents, as well as for the rehabilitation of handicapped veterans. In addition, we are authorized by the Immigration and Naturalization Service (the "INS") of the U.S. Department of Justice to admit international students for study in the United States subject to applicable guidelines. The INS, working with the Department of State, is in the process of instituting a mandatory electronic reporting system for schools that enroll international students.

**FINANCING STUDENT EDUCATION** Students finance their Strayer University education in a variety of ways. A significant number of students utilize federal financial aid. In addition, many of our working adult students finance their own education or receive full or partial tuition reimbursement from their employers. Congress has enacted several tax credits for students pursuing higher education and has provided for a tax deduction for interest on student loans and exclusions from income of certain tuition reimbursement amounts. We also offer a variety of grants, loans (including loans under the SEL Program), scholarships and work-study programs as financing options for our students. In 2001, approximately 44% of Strayer University's students participated in one or more Title IV programs. A substantial portion (approximately 55% in 2001) of our revenues are derived from tuition financed under Title IV programs. Our financial aid programs are designed to assist eligible students whose financial resources are inadequate to meet the cost of education. Aid is awarded on the basis of financial need, generally as defined under the Higher Education Act as the difference between the cost of attending a program of study and the amount a student reasonably can be expected to contribute to those expenses. All recipients of financial aid must maintain a satisfactory grade point average and progress in a timely manner toward completion of a program of study. The 1998 amendments to the Higher Education Act that took effect on October 7, 2000 address an institution's return-of-funds policy with regard to Title IV programs. Under the new provision, the institution must first determine the amount of Title IV program funds that the student "earned." If the student withdraws during the first 60% of any period of enrollment or payment period, the amount of Title IV program funds that the student earned is equal to a pro rata portion of the funds for which the student would otherwise be eligible. If the student withdraws after the 60% point, then the student has earned 100% of the Title IV program funds. The institution must return to the appropriate Title IV programs, in a specified order and excluding the Federal Work-Study Program, the lesser of the unearned Title IV program funds or the institutional charges incurred by the student for the period multiplied by the percentage of unearned Title IV program funds. An institution must return required funds no later than 30 days after the date the institution determines a student withdrew. If such payments are not timely made, an institution is subject to adverse action, including the submission of a letter of credit equal to 25% of the refunds the institution should have made in its most recent fiscal year. Strayer believes that Strayer University's return-of-funds policy and practice is consistent with the current Higher Education Act.

**TITLE IV PROGRAMS** Strayer University maintains eligibility for its students to participate in the following Title IV programs:

- o Federal Pell Grants. Grants under the Federal Pell Grant ("Pell") program are available to eligible students based on financial need and other factors.
- o Campus-Based Programs. The "campus-based" Title IV programs include the Federal Supplemental Educational Opportunity Grant program, the Federal Work-Study program and the Federal Perkins Loan ("Perkins") program.
- o Federal Family Education Loans. Pursuant to the Federal Family Education Loan Program (the "FFEL Program"), which includes the Federal Stafford Loan ("Stafford") program and the Federal Parent Loan for Undergraduate Students ("PLUS") program, students and their parents can obtain from lending institutions subsidized and unsubsidized student loans, which are guaranteed by the federal government. Students who demonstrate financial need may qualify for a subsidized Stafford loan, and the federal government will pay the interest on the loan while the student is in school and until the student's obligation to repay the loan begins. Unsubsidized Stafford loans are available to students who do not qualify for a subsidized Stafford loan or, in some cases, in addition to a subsidized Stafford loan.
- o Federal Direct Student Loans. Under the William D. Ford Federal Direct Loan Program (the "Direct Loan Program"), the Department of Education makes loans directly to students rather than guaranteeing loans made by lending institutions. Strayer University has not originated any loans under this program, but utilizes other Title IV loan programs.

**OTHER FINANCIAL AID PROGRAMS** In addition to Strayer University's own student loan and scholarship programs, eligible students at Strayer University may participate in educational assistance programs administered by the U.S. Department of Veterans Affairs, the U.S. Department of Defense, the District of Columbia and private organizations.

**FINANCIAL AID REGULATION** To be eligible to participate in Title IV programs, Strayer University must comply with specific standards and procedures set forth in the Higher Education Act and the regulations issued thereunder 36 by the Department of Education. An institution must, among other things, be authorized by each state within which it is physically located to offer its educational programs and maintain institutional accreditation by a recognized

accrediting agency. The institution also must be certified by the Department of Education to participate in Title IV programs, based on a determination that, among other things, the institution meets certain standards of administrative capability and financial responsibility. For purposes of the Title IV programs, Strayer University and all of its campuses are considered to be a single "institution of higher education" so that Department of Education requirements applicable to an "institution of higher education" are applied to all of Strayer University's campuses in the aggregate rather than on an individual basis. Strayer University and each of its campuses are currently certified to participate in Title IV programs. Congress reauthorizes the Higher Education Act approximately every five years with the next Congressional review scheduled to take place in 2003. In addition, Congress reviews and determines appropriations for Title IV programs on an annual basis. An elimination of certain Title IV programs, a reduction in federal funding levels of such programs, material changes in the requirements for participation in such programs or the substitution of materially different programs could reduce the ability of certain students to finance their education. This, in turn, could lead to lower enrollments at Strayer University or require Strayer University to increase its reliance upon alternative sources of student financial aid. Given the significant percentage of Strayer University's revenues that are derived indirectly from the Title IV programs, the loss of or a significant reduction in Title IV program funds available to Strayer University's students could have a material adverse effect on Strayer. In addition, the regulations applicable to Strayer University have been subject to frequent revisions. If Strayer University were not to continue to comply with such regulations, such non-compliance may affect the operations of the University and its ability to participate in Title IV programs. Certain elements of the regulations applicable to Strayer University are described below.

**INCREASED REGULATORY SCRUTINY** The 1992 amendments to the Higher Education Act formalized, modified and strengthened the regulatory structure known as the "Program Integrity Triad," which consists of the Department of Education, recognized accrediting agencies and state higher education regulatory bodies. Congress intended this initiative to increase the regulatory scrutiny of post-secondary educational institutions. The 1998 amendments to the Higher Education Act preserve the Program Integrity Triad with some refinements. In addition to the Program Integrity Triad, other participants in Title IV programs, notably student loan guaranty agencies, also have enforcement authority.

**ADMINISTRATIVE CAPABILITY** Department of Education regulations specify extensive criteria by which an institution must establish that it has the requisite "administrative capability" to participate in Title IV programs. To meet the administrative capability standards, an institution, among other things, must comply with all applicable Title IV program regulations, must not have cohort default rates above specified levels, must have various procedures in place for safeguarding federal funds, must not be, and not have any principal or affiliate who is, debarred or suspended from federal contracting or engaging in activity that is cause for debarment or suspension, must submit in a timely manner all reports and financial statements required by the regulations and must not otherwise appear to lack administrative capability.

**PROVISIONAL CERTIFICATION** In certain circumstances, including a change in ownership resulting in a change of control, the Department of Education may certify an institution's continuing eligibility to participate in Title IV programs on a provisional basis for no more than three years. During the period of provisional certification, the institution must comply with any additional conditions included in its program participation agreement. If the Department of Education determines that a provisionally certified institution is unable to meet its responsibilities under its program participation agreement, it may seek to revoke the institution's certification to participate in Title IV programs with the institution having fewer due process protections than if it were fully certified.

**THIRD PARTY SERVICERS** Department of Education regulations permit an institution to enter into a written contract with a third-party servicer for the administration of any aspect of the institution's participation in Title IV programs. The third-party servicer must, among other obligations, comply with Title IV requirements and be jointly and severally liable with the institution for any violation by the servicer of any Title IV provision. Strayer University has written contracts with three third-party servicers: Financial Aid Management for Education, Inc., Post-secondary Education Assistance Corporation and Weber and Associates, Inc. The servicers each perform activities related to Strayer University's participation in Title IV programs, such as certifying FFEL Program loan applications, preparing reports from Strayer University to the Department of Education, issuing payments for the Pell and campus-based programs and issuing and collecting Perkins loans.

**FINANCIAL RESPONSIBILITY** The Higher Education Act and Department of Education regulations establish extensive standards of financial responsibility that institutions such as Strayer University must satisfy in order to participate in Title IV programs. These standards generally require that an institution provide the services described in its official publications and statements, provide the administrative resources necessary to comply with Title IV requirements and meet all of its

financial obligations, including required refunds and any repayments to the Department of Education for debts and liabilities incurred in programs administered by the Department. Department of Education standards utilize a complex formula to assess financial responsibility. The standards focus on three financial ratios: (1) equity ratio (which measures the institution's capital resources, ability to borrow and financial viability); (2) primary reserve ratio (which measures the institution's financial viability and liquidity) and (3) net income ratio (which measures the institution's ability to operate at a profit or within its means). An institution's financial ratios must yield a composite score of at least 1.5 for the institution to be deemed financially responsible without the need for further federal oversight. Strayer University has applied the financial responsibility standards to its audited financial statements as of and for the year ended December 31, 2001 and calculated a composite score of 3.0, the highest score available. Strayer therefore believes that Strayer University meets the Department of Education's financial responsibility standards.

**STUDENT LOAN DEFAULTS** Under the Higher Education Act, an educational institution may lose its eligibility to participate in some or all of the Title IV programs if defaults on the repayment of federally guaranteed student loans by its students exceed certain levels. For each federal fiscal year, a rate of student defaults (known as a "cohort default rate") is calculated for each institution by determining the rate at which borrowers who become subject to their repayment obligation in that federal fiscal year default by the end of the following federal fiscal year. The Department calculates a single cohort default rate for each federal fiscal year that includes all current or former student borrowers at the institution who commenced repayment on any FFEL Program or Direct Loan Program loan during that year. The Department issued new regulations effective July 1, 2001 regarding cohort default rates. Under these regulations, if the Department notifies an institution that its three most recent cohort default rates are each 25 percent or greater, the institution's participation in the FFEL Program, Direct Loan Program and Federal Pell Grant Program ends 30 days after the notification, unless the institution timely appeals that determination on specified grounds and according to specified procedures. An institution's participation in the FFEL Program and Direct Loan Program ends 30 days after notification that its most recent cohort default rate is greater than 40 percent, unless the institution timely appeals that determination on specified grounds and according to specified procedures. An institution whose participation ends under these provisions may not participate in the relevant programs for the remainder of the fiscal year in which the institution receives the notification, as well as for the next two fiscal years. The new regulations also address cohort default rates for institutions that have undergone a change in status, such as acquisition or merger of institutions and acquisition of another institution's branches or locations. If an institution's cohort default rate equals or exceeds 25% in any of the three most recent federal fiscal years, the institution may be placed on provisional certification status. Provisional certification does not limit an institution's access to Title IV program funds; however, an institution with provisional status is subject to closer review by the Department of Education and may be subject to summary adverse action if it violates Title IV program requirements. Strayer University's cohort default rates on FFEL Program loans for the 2000, 1999 and 1998 federal fiscal years, the three most recent years for which this information is available, were 4.7%, 5.6% and 12.1%, respectively. The average cohort default rates for for-profit institutions nationally were 9.4%, 9.3% and 11.4% in fiscal years 2000, 1999 and 1998, respectively.

**THE "90/10 RULE"** Under what is commonly referred to as the "90/10 Rule," the Higher Education Act provides that for-profit institutions, such as Strayer University, are eligible to participate in Title IV programs only if they derive no more than 90% of their revenues from Title IV programs, as determined in accordance with a formula described in the regulations. A for-profit institution that violates the "90/10 Rule" loses its eligibility to participate in Title IV programs for at least one year. During 2001, Strayer University derived 55% of its revenues from tuition financed under Title IV programs.

**INCENTIVE COMPENSATION** As a part of an institution's program participation agreement with the Department of Education and in accordance with the Higher Education Act, the institution may not provide, nor contract with any entity that provides, any commission, bonus or other incentive payment based directly or indirectly on success in securing enrollments or financial aid to any person or entity engaged in any student recruitment, admissions or financial aid awarding activity. Congress is considering legislation, and the Department of Education recently published proposed regulations, to clarify the incentive payment rule. Failure to comply with the incentive payment rule could result in loss of ability to participate in Federal Student Financial Aid programs or financial penalties. Although there can be no assurance that the Department of Education would not find deficiencies in Strayer University's present or former employee compensation and third-party contractual arrangements, Strayer University believes that its employee compensation and third-party contractual arrangements comply with the incentive compensation provisions of the Higher Education Act.

**DISTANCE LEARNING AND THE "50% RULES"** Strayer

University offers all of its existing degree and diploma programs through Strayer ONLINE, delivering instruction via internet-based telecommunications from Strayer's Distance Learning Center in Lorton, Virginia. Strayer ONLINE has been approved by the applicable regulatory agencies in all states where our campuses and Strayer ONLINE facilities are located. During the fall 2002 quarter, Strayer University had 6,822 students taking courses online, 5,401 of whom took classes solely through Strayer ONLINE. The Higher Education Act excludes from Title IV program participation institutions at which more than 50% of the institution's courses are offered by correspondence or at which 50% or more of the institution's students are enrolled in correspondence courses, except that the Secretary of Education is authorized to waive this limitation at his/her discretion in the case of institutions offering two- or four-year programs leading to an associate or bachelor degree. Department of Education regulations grant an automatic waiver for these degree-granting institutions if students enrolled in 39 correspondence courses receive five percent or less of the total Title IV program funds received by all students enrolled at the institution. In addition, a student is not eligible for Title IV program funds for a correspondence course unless such course is at least one academic year in length or part of a program leading to an associate, bachelor or graduate degree. The Higher Education Act states that a student enrolled in a course of instruction at an institution like Strayer University, where at least half of the programs lead to a degree that is offered in whole or in part through telecommunications and leads to a recognized certificate for a program of study of one year or longer, or a recognized associate, bachelor or graduate degree conferred by such institution, is not considered to be enrolled in a correspondence course, unless the total number of telecommunications and traditional correspondence courses offered by the institution equals or exceeds 50% of the total number of courses offered by the institution. For purposes of the 50% rules, a course must be considered as being offered once during an award year regardless of the number of times it is offered during that year, and a course that is offered both on campus and online must be considered two courses for the purpose of determining the total number of courses the institution provided during an award year. Strayer University's policy is to ensure that it remains in compliance with the 50% rules by monitoring its course offerings and ensuring that the number of courses offered through Strayer ONLINE will not equal or exceed one-half of the total number of courses offered by Strayer University, calculated as set forth above. Strayer University does not offer traditional correspondence courses. COMPLIANCE REVIEWS Strayer University is subject to announced and unannounced compliance reviews and audits by various external agencies, including the Department of Education, its Office of Inspector General, state licensing agencies, guaranty agencies and accrediting agencies. The Higher Education Act and Department of Education regulations also require an institution to submit annually a compliance audit of its administration of the Title IV Programs conducted by an independent certified public accountant in accordance with Government Auditing Standards and the Office of Inspector General audit guide. POTENTIAL EFFECT OF REGULATORY VIOLATIONS If Strayer University fails to comply with the regulatory standards governing Title IV programs, the Department of Education could impose one or more sanctions, including transferring Strayer University to the reimbursement or cash monitoring system of payment, seeking to require repayment of certain Title IV funds, requiring the University to post a letter of credit in favor of the Department of Education as a condition for continued Title IV certification, taking emergency action against the University, referring the matter for criminal prosecution or initiating proceedings to impose a fine or to limit, condition, suspend or terminate the participation of the University in Title IV programs. In addition, Strayer University's guaranty agencies could initiate proceedings to limit, suspend or terminate Strayer University's eligibility to provide guaranteed student loans in the event of certain regulatory violations. Although there are no such sanctions currently in force, and Strayer University does not believe any such sanctions or proceedings are presently contemplated, if such sanctions or proceedings were imposed against Strayer University and resulted in a substantial curtailment of the University's participation in Title IV programs, Strayer University would be materially and adversely affected. If Strayer University lost its eligibility to participate in Title IV programs, or if the amount of available federal student financial aid were reduced, the University would seek to arrange or provide alternative sources of revenue or financial aid for students. The SEL Program would provide one such alternative, but there can be no assurance that the SEL Program could provide loans sufficient to make up for the loss of Title IV program funds. Although the University believes that one or more private organizations would be willing to provide financial assistance to students attending Strayer University, there is no assurance that this would be the case, and the interest rate and other terms of such student financial aid might not be as favorable as those for Title IV program funds. Strayer University may be required to guarantee all or part of such alternative assistance or might incur other additional costs in connection with securing alternative sources of financial aid. Accordingly, the loss of eligibility of Strayer University to participate in Title

IV programs would be expected to have a material adverse effect on Strayer University even if it could arrange or provide alternative sources of revenue or student financial aid. **RESTRICTIONS ON ADDING LOCATIONS AND EDUCATIONAL PROGRAMS** State requirements and accrediting agency standards may in certain instances limit the ability of Strayer University to establish additional locations and programs. District of Columbia regulations require institutions to submit an application for an amended license in order to add a new program or location. The Virginia State Council of Higher Education requires institutions to obtain approval prior to offering new educational programs at existing sites or instruction for degree credit at a new site located more than 25 miles or 30 minutes' travel time from an existing location. Maryland law and regulations require institutions to obtain the approval of the Maryland Higher Education Commission in order to offer an instructional program not specified in its certificate of approval or to offer more than one-third of the credit-bearing coursework leading toward a certificate or degree at a location not specified in its certificate of approval. Middle States requires institutions that it accredits to notify it in advance of implementing new programs or locations, and upon notification may undertake a review of the institution's accreditation. Based on its current understanding of how these standards will be applied, the University does not believe that these standards will have a material adverse effect on Strayer University or its expansion plans. The Higher Education Act requires for-profit institutions of higher education to be in full operation for two years before qualifying to participate in Title IV programs. However, the applicable regulations permit an institution that is already qualified to participate in Title IV programs to establish additional locations that are exempt from the two-year rule. Such additional locations may immediately qualify for participation in the Title IV programs, unless the location was acquired from another institution that has ceased offering educational programs at that location and has unpaid Title IV liabilities, and the acquiring institution does not agree to be responsible for certain liabilities of the acquired institution. The new location must satisfy all other applicable requirements for institutional eligibility, including approval of the additional location by the relevant state authorizing agency and the institution's accrediting agency. Strayer University's expansion plans assume its continued ability to establish new campuses as additional locations of Strayer University under such applicable regulations and thereby avoid incurring the two-year delay in participation in Title IV programs. The loss of state authorization or accreditation by Strayer University or an existing campus, or the failure of Strayer University or a new campus to obtain state authorization or accreditation, would render Strayer University ineligible to participate in Title IV programs in that state or at that location. The Department of Education regulations require institutions to report to the Department of Education a new additional location at which at least 50% of an eligible program will be offered, if the institution wants to disburse Title IV program funds to students enrolled at that location. If the institution participates in Title IV programs under provisional certification, as the University currently does as a result of its 2001 recapitalization and change of ownership (see "--Change in Ownership Resulting in a Change of Control"), and in certain other circumstances, the institution must obtain Department of Education approval for the new location before providing Title IV assistance to students at that location. Otherwise, once it reports the location to the Department of Education, the institution may disburse Title IV program funds to eligible students at that location if the location is licensed and accredited. Institutions are responsible for knowing whether they need approval, and institutions that add locations and disburse Title IV program funds without having obtained any necessary Department of Education approval may be subject to administrative repayments and other sanctions. Strayer does not believe that the Department of Education's regulations will create significant obstacles to Strayer University's plans to add new campuses. Generally, if an institution eligible to participate in Title IV programs adds an educational program after it has been designated as an eligible institution, the institution must apply to the Department of Education to have the additional program designated as eligible. However, a degree-granting institution such as Strayer is not obligated to obtain Department of Education 41 approval of additional programs that lead to an associate, bachelor, professional or graduate degree at a level already awarded. Similarly, an institution is not required to obtain advance approval for new programs that prepare students for gainful employment in the same or related recognized occupation as an educational program that has previously been designated as an eligible program at that institution and meets certain minimum-length requirements. In the event that an institution erroneously determines that an educational program is eligible for Title IV funds without the Department of Education's express approval, the institution may be liable for repayment of Title IV aid received by the institution in connection with that program. Strayer does not believe that the Department of Education's regulations will create significant obstacles to Strayer University's plans to add new programs. **CHANGE IN OWNERSHIP RESULTING IN CHANGE OF CONTROL** Many states and accrediting agencies require institutions of higher education to report or obtain approval of certain

changes in ownership or other aspects of institutional status, but the types of and triggers for such reporting or approval vary among states and accrediting agencies. The D.C. Education Licensure Commission requires an institution licensed by it to report a change in ownership in advance, preferably 90 days, and may require the institution to apply to amend its license. The applicable laws and regulations of Maryland do not specifically address reporting of changes in ownership. The State Council of Higher Education for Virginia requires notice 30 days in advance of a change in ownership and the filing of an application for approval of the change within 30 days after the change. The Board of Governors of North Carolina may require the filing of notice of a change in ownership and an application for approval of the change. Strayer University's accrediting agency, Middle States, requires institutions that it accredits to inform it in advance of any substantive change, including a change that significantly alters the ownership or control of the institution. Examples of substantive changes requiring advance notice to Middle States include changes in the legal status, ownership or form of control of the institution, such as the sale of a proprietary institution. Middle States must approve a substantive change in advance in order to include the change in the institution's accreditation status. The Higher Education Act provides that an institution that undergoes a change in ownership resulting in a change of control loses its eligibility to participate in the Title IV programs and must apply to the Department of Education in order to reestablish such eligibility. An institution is ineligible to receive Title IV program funds during the period prior to recertification. The Higher Education Act provides that the Department of Education may temporarily, provisionally certify an institution seeking approval of a change of ownership and control based on preliminary review by the Department of Education of a materially complete application received by the Department of Education within ten business days after the transaction. The Department of Education may continue such temporary, provisional certification on a month-to-month basis until it has rendered a final decision on the institution's application. If the Department of Education determines to approve the application after a change in ownership and control, it issues a provisional certification, which extends for a period expiring not later than the end of the third complete award year following the date of provisional certification. The Higher Education Act defines one of the events that would trigger a change in ownership resulting in a change of control as the transfer of the controlling interest of the stock of the institution or its parent corporation. For a publicly traded corporation, the securities of which are required to be registered under the Exchange Act, such as Strayer, the Department of Education regulations implementing the Higher Education Act define a change in ownership resulting in a change of control as occurring when a person acquires ownership and control of a corporation such that the corporation is required to file a Form 8-K with the Securities and Exchange Commission ("SEC") notifying that agency of the change of control. The regulations also provide that a change in ownership and control of a publicly traded corporation occurs if a person who is a controlling stockholder of the corporation ceases to be a controlling stockholder. A controlling stockholder is a stockholder who holds or controls through agreement both 25% or more of the total outstanding voting stock of the corporation and more shares of voting stock than any other stockholder. 42 Under INS regulations, if a school that is approved to admit foreign students changes ownership, approval will be automatically withdrawn 60 days after the change of ownership unless the school files a new petition for school approval within 60 days after that change of ownership. If, after conducting a review, the INS district director finds that the school's approval should not be continued, the district director must institute proceedings to withdraw the school's approval. Strayer University currently has INS approval to admit foreign students for U.S. study, subject to applicable regulations. Pursuant to federal law providing benefits for veterans and reservists, the University is approved for education of veterans and members of the selective reserve and their dependents by the state approving agency in the District of Columbia, Maryland, North Carolina and Virginia. In certain circumstances, state approving agencies may require an institution to obtain approval for a change in ownership and control. In order to complete the change of ownership associated with Strayer's self-tender offer to repurchase common shares and its issuance of its Series A Preferred Stock to the selling stockholders New Mountain Partners, L.P. (a private equity fund managed by New Mountain Capital, LLC) and DB Capital Investors, L.P. (an affiliate of DB Capital Partners, Inc., the merchant banking arm of Deutsche Bank AG) in March 2001, Strayer University was required to make a number of submissions to educational regulatory bodies, including, among others: (1) filing a "substantive change" report with Middle States; (2) filing an application for approval to participate in federal student financial aid programs with the Department of Education; (3) filings with the D.C. Education Licensure Commission, the Maryland Higher Education Commission and the Virginia State Council of Higher Education; and (4) filings with the INS and approving agencies for veterans benefits in the District of Columbia, Maryland and Virginia. All of the applicable agencies approved the transaction, which closed in May

2001. As is customary for institutions undergoing a change of ownership resulting in a change of control, the Department of Education recertified the University on a provisional basis through June 30, 2004. If Strayer University underwent a change of control that required approval by any state authority, Middle States or any federal agency, and any required regulatory approval were significantly delayed, limited or denied, there could be a material adverse effect on Strayer University's ability to offer certain educational programs, award certain degrees or diplomas, operate one or more of its locations, admit certain students or participate in Title IV programs, which in turn would materially and adversely affect Strayer University's operations. A change that required approval by a state regulatory authority, Middle States or a federal agency could also delay Strayer University's ability to establish new campuses or educational programs and may have other adverse regulatory effects. Furthermore, the suspension from Title IV programs and the necessity of obtaining regulatory approvals in connection with a change of control may materially limit Strayer University's flexibility in future financing or acquisition transactions. This offering will not represent a change in control.

**43 MANAGEMENT DIRECTORS AND EXECUTIVE OFFICERS** The following table sets forth certain information with respect to our directors and executive officers. NAME AGE POSITION -----  
**DIRECTORS:** Steven B. Klinsky ..... 46 Non-executive Chairman of the Board Robert S. Silberman ..... 45  
 Chief Executive Officer, President and Director Charles Ayres ..... 43 Director Dr. Charlotte F. Beason .....  
 54 Director William E. Brock ..... 71 Director David A. Coulter ..... 55 Director Gary Gensler  
 ..... 45 Director Robert R. Grusky ..... 45 Director Todd A. Milano ..... 49 Director G. Thomas  
 Waite, III ..... 51 Director J. David Wargo ..... 49 Director **EXECUTIVE OFFICERS:** Scott W. Steffey  
 ..... 41 Executive Vice President and Chief Operating Officer Mark C. Brown ..... 43 Senior Vice  
 President and Chief Financial Officer Steven A. McArthur ..... 44 Senior Vice President and General Counsel  
 Kevin P. O'Reagan ..... 42 Vice President and Chief Technology Officer Lysa Hlavinka ..... 35 Vice  
 President, Marketing Robert E. Farmer ..... 64 Vice President, Human Resources, Administration and Training  
 Sonya Udler ..... 34 Vice President, Corporate Communications

**DIRECTORS** 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 has been non-executive Chairman of the Board since March 2001. He also serves on the Board of Directors of Surgis, Inc. Mr. Robert S. Silberman has been President 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 as President and Chief Operating Officer (and in certain other capacities) of CalEnergy Company, Inc. 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 and is a member of the Board's Executive Committee. He also serves on the Board of Directors of Surgis, Inc. Mr. Charles Ayres has been a Managing Director of DB Capital Partners, Inc. (the private equity arm of Deutsche Bank AG) and Head of DB Capital Partners U.S. since 1999. From 1991 to 1999, Mr. Ayres served as a Managing Partner at McCown DeLeeuw & Co. Mr. Ayres currently serves on the Board of Directors of Jet Industries, Inc., New Roads, Inc., Prestige Brands International, Inc. and the Kinetics Group, Inc. 44 Dr. Charlotte F. Beason has been Vice Chair of the Commission on Collegiate Nursing Education (an autonomous agency accrediting baccalaureate and graduate programs in nursing) and Program Director, Nursing Strategic Healthcare Group, at the U.S. Department of Veterans Affairs since 1996. Mr. William E. Brock is the Founder and has been Chairman of BRIDGES Learning Systems, Inc., an education services company, since 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 as the Secretary of Labor. From 1981 to 1985, Mr. Brock served as the Special Trade Representative. Mr. Brock served as a Senator from the State of Tennessee from 1971 to 1981. Mr. Brock is also a Director of On Assignment, Inc., HealthExtras, Inc. and Federal Medical, Inc. Mr. David A. Coulter has been Vice Chairman, 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, 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 currently serves on the Board of Directors of PG&E Corporation and MasterCard International, and he is a Trustee of Carnegie Mellon University. Mr. Gary Gensler served as Under Secretary of the U.S. Department of the Treasury

from 1999 to 2001, and before that as Assistant Secretary of the Treasury from 1997 to 1999. From 1988 to 1997, Mr. Gensler was a partner of The Goldman Sachs Group, L.P., an international investment banking firm where he served in various capacities including co-head of finance, responsible for controllers and treasury worldwide. Mr. Gensler is a 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. Mr. Robert R. Grusky has been a Member of New Mountain Capital, LLC since January 2000. Since 2000, Mr. Grusky has also been the managing member of the limited liability company that is the general partner of Hope Capital Partners, L.P., an investment partnership that invests primarily in public equities. From 1998 to 2000, Mr. Grusky served as President of RSL Investments Corporation. From 1985 to 1997, with the exception of 1990-1991 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 Merger & Acquisitions Department and then in its Principal Investment Area. He is also on the Board of Directors of Surgis, Inc. and a member of the Board of Trustees of Hackley School and the Multiple Myeloma Research Foundation. Mr. Todd A. Milano has been President and Chief Executive Officer of Central Pennsylvania College since 1989. 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. J. David Wargo has been a Member of New Mountain Capital, LLC since January 2000. Since 1993, Mr. Wargo has also been the 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 also a Director of On Command Corporation and OPENTV Corporation. EXECUTIVE OFFICERS Scott W. Steffey joined Strayer in March 2001 after serving as an Executive in Residence at New Mountain Capital, LLC from March 2000 to March 2001. Prior to that, Mr. Steffey served for four years as Vice Chancellor of the State University of New York, the largest public post-secondary higher education system in the world. He is also the founder of the Charter Schools Institute, an organization that establishes competitive K-12 schools in New York State dedicated to providing improved educational opportunities for economically disadvantaged students. Previously, Mr. Steffey held senior management positions at NYNEX Corporation and American Express Company. Mark C. Brown joined Strayer in August 2001 as its Senior Vice President and Chief Financial Officer. Mr. Brown was most recently the Chief Financial Officer of the Kantar Group, the information and consultancy division of WPP Group, the multi-national communications services company. Prior to that, for nearly 12 years, Mr. Brown held a variety of management positions at PepsiCo Inc. including Director of Corporate Planning for Pepsi Bottling Group and Business Unit Chief Financial Officer for Pepsi-Cola International. Mr. Brown is a CPA who started his career with PricewaterhouseCoopers. Steven A. McArthur joined Strayer in May 2001 as its Senior Vice President and General Counsel. Mr. McArthur is responsible for oversight of all legal matters for Strayer and coordinating with other responsible officers on various regulatory, administrative, employee benefit, real estate, leasing and insurance matters. Mr. McArthur previously served as Senior Vice President and General Counsel to MidAmerican Energy Holdings Company, a Fortune 500 diversified holding company, and a number of its public company subsidiaries. Mr. McArthur has over 17 years' experience advising various public companies in the areas of regulatory compliance, mergers and acquisitions, financings and related legal matters. Kevin P. O'Reagan has been active in the technology field for the past 18 years and joined Strayer in May 2001 as its Vice President and Chief Technology Officer. Mr. O'Reagan started his career with Andersen Consulting and later joined Prudential Mortgage as the Director of Technology. He most recently was the Chief Technology Officer of the RIA Group of the Thompson Corporation. Mr. O'Reagan has also developed and taught courses at the post-graduate level as an adjunct faculty member at The Johns Hopkins University in its Information Technology Program. Lysa Hlavinka has been working in the for-profit education field for the past 11 years and joined Strayer in May 2001 as Vice President, Marketing. Ms. Hlavinka started her career as an account executive at an advertising agency and joined the University of Phoenix in 1990. As that company grew, Ms. Hlavinka held positions as Marketing Manager, Director of Administrative Services, and, most recently, National Director of Advertising. While at the University of Phoenix, she taught marketing and public relations courses as an adjunct faculty member. Robert E. Farmer is Vice President of Human Resources, Administration and Training of the University, a position to which he was appointed in 2001. Previously, Mr. Farmer was the University's Director of Operations (in 2000) and Director of Human Resources for the University, a position he held since 1995. Mr. Farmer was the Campus Coordinator of the University's Arlington

campus from 1992 until 1995, and he was the Director of Admissions at that campus from 1990 to 1992. Mr. Farmer is a certified Professional in Human Resources (PHR). Sonya Udler joined Strayer as its Vice President, Corporate Communications in July 2002, bringing over 14 years of public relations and marketing communications experience to Strayer. For the two years prior to joining Strayer, she served as a public relations and media strategies consultant. She previously served as Senior Vice President at Young & Associates Inc., a public relations agency, where she developed communications strategies and media programs for Bell Atlantic, Siemens, Verizon and other leading technology companies.

46 SELLING STOCKHOLDERS The following table sets forth information with respect to the beneficial ownership by the selling stockholders of our common stock as of September 30, 2002 and as adjusted to reflect the sale of 2,000,000 shares of common stock offered by the selling stockholders. Except as otherwise indicated below, the persons named in the table have sole voting and investment power with respect to all shares of common stock held by them.

SHARES OF COMMON STOCK BENEFICIALLY OWNED PRIOR TO THE STOCK BEING OWNED AFTER THE OFFERING(1) OFFERED OFFERING(2) ----- NAME OF BENEFICIAL OWNER NUMBER PERCENT NUMBER NUMBER PERCENT -----

-----	New Mountain Partners, L.P. (3)(4)(5) .....	5,369,965	37.4%	1,700,000	
3,669,965	25.6%	DB Capital Partners, Inc. (5)(6)(7)(8) .....	1,633,903	11.4%	300,000 1,333,903 9.3% ----- (1)

Based on 8,352,412 shares of common stock outstanding as of September 30, 2002 and includes 6,003,869 shares of common stock issuable upon conversion of the Series A Preferred Stock as of September 30, 2002. (2) Based on 10,352,412 shares of common stock outstanding as of September 30, 2002 and includes 4,003,869 shares of common stock issuable upon conversion of the Series A Preferred Stock as of September 30, 2002, after giving effect to this offering. (3) Based on a Schedule 13D/A filed with the SEC dated October 8, 2002. Includes 767,000 shares of common stock owned by Ron K. and Beverly Bailey and their affiliated foundations, which New Mountain has the option to purchase under a currently exercisable option at \$30.00 per share. Includes 4,602,965 shares issuable upon conversion of the Series A Preferred Stock owned by New Mountain. (4) New Mountain's address is 712 Fifth Avenue, 23rd Floor, New York, NY 10019. New Mountain Investments, L.P. ("NMI") is New Mountain's general partner and New Mountain GP, LLC ("NM") is NMI's general partner. Steven B. Klinsky, the Chairman of the Board of Directors of Strayer, is the sole member of NM. Robert R. Grusky and J. David Wargo, directors of Strayer, are limited partners of NMI. Mr. Klinsky, Mr. Grusky and Mr. Wargo disclaim beneficial ownership of the shares owned by New Mountain, except to the extent of their pecuniary interests therein. (5) See "Description of Capital Stock -- Other Terms of Series A Preferred Stock -- Corporate Governance" for a description of the selling stockholders' rights, as holders of the Series A Preferred Stock, to elect members of our Board of Directors. Due to the voting agreement contained in the shareholders' agreement between New Mountain and DB Capital, New Mountain and DB Capital may be deemed to beneficially own each other's shares. (6) Based on a Schedule 13D/A filed with the SEC dated October 9, 2002. Includes 233,000 shares of common stock owned by Ron K. and Beverly Bailey and their affiliated foundations, which DB Capital Investors, L.P. has the option to purchase under a currently exercisable option at \$30.00 per share. Includes 1,400,903 shares issuable upon conversion of the Series A Preferred Stock owned by DB Capital Investors, L.P. (7) DB Capital's address is 31 West 52nd Street, 26th Floor, New York, NY 10019. Charles Ayres, a director of Strayer, disclaims beneficial ownership of the shares owned by DB Capital, except to the extent of his pecuniary interest therein. (8) Assumes no exercise of the underwriters' over-allotment option. DB Capital has granted the underwriters an option to purchase 300,000 shares of common stock issuable upon conversion of its Series A Preferred Stock to cover the underwriters' over-allotment option. Assuming such option is exercised in full, DB Capital would beneficially own 1,033,903 shares, or approximately 7.2% of our common stock, after completion of this offering.

47 DESCRIPTION OF CAPITAL STOCK Our authorized capital stock consists of (1) 20,000,000 shares of common stock, par value \$0.01 per share, of which 8,352,412 shares were issued and outstanding as of September 30, 2002, and (2) 8,000,000 shares of preferred stock, par value \$0.01 per share. Of these preferred shares, 6,000,000 have been designated for issuance as Series A Preferred Stock, of which 6,003,869 shares were issued and outstanding or accrued as of September 30, 2002. COMMON STOCK Each holder of common stock is entitled to one vote per share on all matters to be voted upon by the stockholders. Stockholders do not have cumulative voting rights in the election of directors. Subject to preferences that may be applicable to any outstanding preferred stock, the holders of common stock are entitled to receive ratably such dividends, if any, as may be declared from time to time by the Board of Directors out of funds legally available for that purpose. Strayer presently intends to pay regular cash

dividends on its common stock. See "Dividend Policy." In the event of a liquidation, dissolution or winding up of Strayer, the holders of common stock are entitled to share ratably in all assets remaining after payment of liabilities, subject to prior distribution rights of preferred stock, if any, then outstanding. The common stock has no preemptive or conversion rights or other subscription rights. **PREFERRED STOCK** In May 2001, Strayer underwent a \$150 million recapitalization and change of control transaction in which it issued 5,769,231 shares of its Series A Preferred Stock to the selling stockholders. Strayer used the \$150 million, together with approximately \$36.4 million of its cash and marketable securities, to repurchase 7,175,000 shares of outstanding common stock from its then chief executive officer and majority stockholder at \$25.00 per share. The Series A Preferred Stock has an effective dividend yield of 5.43% and is convertible into common stock at a price of \$26.00 per share, subject to adjustment under certain circumstances. In addition, the Series A Preferred Stock has the following material terms: **AUTHORIZED** A total of 6,000,000 shares of Series A Preferred Stock, par value \$.01 per share, have been authorized. Strayer issued 5,769,231 shares of Series A Preferred Stock in the May 2001 recapitalization and through September 30, 2002 has accrued an additional 234,638 shares of Series A Preferred Stock as dividends in kind. **RANKING** The shares of Series A Preferred Stock rank, as to dividends, redemption payments and rights upon liquidation, dissolution or winding up, senior to the shares of common stock and on a parity with each other. **DIVIDENDS** The holders of shares of Series A Preferred Stock are entitled to receive dividends prior to any amounts being paid on the shares of common stock when, as and if declared by the Board of Directors out of funds legally available therefor. Dividends on the Series A Preferred Stock are payable as follows: o From the original issuance date of the Series A Preferred Stock until May 15, 2006, dividends accrue at an annual rate of 7.0% of the sum of the liquidation amount, which is \$26.00 per share (subject to adjustment), plus any accumulated and unpaid dividends, with 3.5% payable in cash when the dividend is declared and the remaining 3.5% accumulating and compounding quarterly until the Series A Preferred Stock either converts, is redeemed or a liquidation event occurs. 48 o Beginning on May 16, 2006, dividends will accrue at an annual rate of 3.0% of the sum of the liquidation amount plus any accumulated and unpaid dividends, all of which will be payable in cash on a quarterly basis when the dividend is declared. In addition, when and if the Board of Directors declares regular quarterly dividends on the common stock up to \$0.065 per share, holders of Series A Preferred Stock are not entitled to participate in the common stock dividend. However, the Series A Preferred Stock will participate on an as-converted basis in any dividends on the common stock in excess of the regular quarterly dividends of \$0.065 per share. **CONVERSION AT THE OPTION OF THE HOLDER** The shares of Series A Preferred Stock are initially convertible, in whole or in part, at the option of the holder, into shares of common stock at a conversion rate of one share of common stock for each share of Series A Preferred Stock, subject to adjustment for certain events, including stock splits, stock dividends and dilutive issuances of capital stock. **LIQUIDATION RIGHTS** Upon any liquidation, dissolution or winding up of Strayer, the holders of Series A Preferred Stock are entitled to a liquidation preference, prior to any amounts being paid on the common stock, in an amount equal to the greater of (1) the sum of \$26.00 per share of Series A Preferred Stock plus accumulated and unpaid dividends to the payment date (in each case, as adjusted for stock dividends, stock combinations, or similar events) and (2) the product of (a) the price of the common stock calculated as the average of the daily closing prices for the common stock for five consecutive trading days selected by the Board of Directors out of the 20 trading days preceding the date of the liquidation, dissolution or winding up and (b) the number of shares of common stock which the holders of Series A Preferred Stock would have been entitled to receive if they had converted their shares. **CHANGE OF CONTROL** Upon any change of control of Strayer, the holders of Series A Preferred Stock are entitled, in each holder's sole discretion, to elect to receive the liquidation amount per share plus accumulated and unpaid dividends to the payment date. If no election is made, the holders will retain their shares of Series A Preferred Stock. Our charter prohibits us from entering into most change of control transactions unless the transaction provides that the holders of Series A Preferred Stock have the right to convert such shares into the same kind and amount of securities, cash and other property that such holder would have received if the Series A Preferred Stock had been converted into common stock immediately prior to the proposed transaction. If the consideration to be received by the holders of common stock in a proposed transaction is less than the adjusted conversion price for the Series A Preferred Stock in effect at the time of the transaction, then the holders of Series A Preferred Stock would be entitled, immediately prior to the proposed transaction, to convert such Series A Preferred Stock into common stock at a per share conversion price equal to 99% of the consideration to be received in the proposed transaction by the holders of common stock. **VOTING RIGHTS** Each holder of Series A Preferred Stock is entitled to the number of votes per share equal to the number of whole shares of common stock into which all of the

holder's shares of Series A Preferred Stock are convertible with respect to all matters submitted for stockholder approval. Except as provided by law or by the express terms of the Series A Preferred Stock, holders of Series A Preferred Stock vote together with holders of the common stock as a single class. For so long as there are any shares of Series A Preferred Stock outstanding, the approval of the holders of at least a majority of the Series A Preferred Stock will be required to take certain actions including:

- o Any reclassification of the Series A Preferred Stock or any amendment, alteration or repeal of any provision of our charter or bylaws that adversely affects the dividend or liquidation preferences, voting powers or other rights of the holders of the Series A Preferred Stock;
- o The authorization, creation or issuance of additional equity securities ranking senior to or on par with the Series A Preferred Stock with respect to liquidation or distributions, or any security convertible into, or which provides a right to acquire, a senior or pari passu security;
- o Any issuance of shares of common stock at a per share price equal to or less than \$26.00, subject to certain adjustments, or securities convertible into or exchangeable for common stock at a per share conversion or exchange price equal to or less than \$26.00; and
- o The declaration, payment or making of any dividend or distribution on the common stock other than our regular quarterly dividend of \$0.065 per share of common stock subject to nominal increases consistent with past practices.

**REDEMPTION AT STRAYER'S OPTION** The Series A Preferred Stock may not be redeemed at our option until May 15, 2004. From and after the third year until the fifth year that the Series A Preferred Stock is outstanding, so long as the common stock is listed on the New York Stock Exchange or the Nasdaq National Market, Strayer may redeem shares of the Series A Preferred Stock, in whole or in part, within 45 days of any period in which the closing price of the common stock for at least 20 consecutive trading days equals or exceeds 200% of the conversion price, which is initially \$26.00 per share; provided that the 20-day period may not begin before May 15, 2004. After May 15, 2006, Strayer may redeem the Series A Preferred Stock, in whole or in part, at the discretion of the majority of the members of the Board of Directors who are not elected by the holders of the Series A Preferred Stock. In either case, the redemption price of each share of Series A Preferred Stock is equal to the liquidation amount, plus accumulated and unpaid dividends to the redemption date. The decision to redeem the Series A Preferred Stock is to be made in the discretion of the directors not elected by the holders of the Series A Preferred Stock.

**REDEMPTION AT THE OPTION OF THE HOLDER** The holders of the Series A Preferred Stock have the right to require Strayer to redeem their shares only:

- o After the tenth anniversary of the original issuance of the shares (May 15, 2011);
- o Upon a change of control of Strayer; or
- o In the event Strayer sells all or substantially all of its assets.

Upon the occurrence of any of these events, a holder of Series A Preferred Stock may require us to redeem all or a part of that holder's shares of Series A Preferred Stock, at a purchase price in cash equal to the liquidation amount, as adjusted, of each share to be redeemed plus accumulated and unpaid dividends to the redemption date.

**REGISTRATION RIGHTS DEMAND REGISTRATION** Strayer has agreed, pursuant to a Registration Rights Agreement dated as of May 15, 2001 with the selling stockholders, that if it is not eligible to use the short-form registration statement, Form S-3 (as it currently is), it will register the resale of the securities held by the selling stockholders upon their request, as follows:

- o Strayer will not register the resale of securities more than two times;
- o Strayer will not register the resale of securities more than once during any six-month period; and
- o The aggregate offering price of the resale of securities must be at least \$10 million. However, if it is eligible to use the short-form registration statement, Form S-3, the selling stockholders will also have the right to request registration on that form two times during any one year for a "shelf" registration permitted by Rule 415 under the Securities Act. A majority of the holders of the securities originally issued to the selling stockholders is required to request the "shelf" registration. If Strayer's Board of Directors determines that filing a requested registration statement would result in a disclosure of information that would materially and adversely affect any proposed or pending material transaction, Strayer may delay the registration. No postponement may exceed 90 days and all postponements shall not exceed 120 days in the aggregate in any 12-month period. Strayer may register securities for its own account or for the account of other stockholders in a registration requested by the selling stockholders, so long as the inclusion of additional securities does not reduce the amount of securities that may be sold by the selling stockholders. Securities registrable under the Registration Rights Agreement include the Series A Preferred Stock, the common stock and other securities, if any, issuable upon conversion of the Series A Preferred Stock, the common stock, if any, purchased by the selling stockholders in accordance with the option granted to them by our former chief executive officer and majority stockholder, and any securities issued to the selling stockholders in accordance with their preemptive rights.

**PIGGY-BACK REGISTRATION** Strayer has granted the selling stockholders unlimited piggy-back registration rights. Piggy-back registration means the rights of the holders of the registration rights to

include their shares in a registration filed by Strayer for its own account or in a registration Strayer has filed upon the request of other stockholders. EXPENSES Strayer will bear all the expenses of the registration, other than any fees and disbursements of the underwriters that are customarily borne by selling stockholders and all underwriting discounts, commissions and transfer taxes relating to the securities sold by the selling stockholders.

INDEMNIFICATION Strayer has agreed to indemnify the selling stockholders against any losses, including fees and other expenses, which may arise out of an untrue statement or an omission of a material fact in any registration statement, other than untrue statements or omissions of material facts made in or omitted from the registration statement made in reliance on written information furnished by the selling stockholders to Strayer for use in the registration statement. Each selling stockholder, severally and not jointly, has agreed to indemnify Strayer against any losses that may arise out of any untrue statement or omissions of material facts made in or omitted from the registration statement in reliance on written information furnished by the selling stockholders to Strayer for use in the registration statement. The amounts owed by the selling stockholders under this indemnification obligation shall not exceed the proceeds the selling stockholders received from the sale of securities under the registration statement.

TRANSFERABILITY OF REGISTRATION RIGHTS The selling stockholders may freely transfer the registration rights to any of their affiliates. The selling stockholders may also transfer the registration rights to any other person to whom the selling stockholders or their affiliates transfer shares of Series A Preferred Stock or the common stock into which the Series A Preferred Stock converts having an aggregate purchase price or liquidation amount of at least \$10 million.

51 OTHER TERMS OF SERIES A PREFERRED STOCK CORPORATE GOVERNANCE Pursuant to the terms of the Series A Preferred Stock, the holders of the Series A Preferred Stock are initially entitled to elect one-half of the members of Strayer's Board of Directors. The percentage of Strayer's Board of Directors that the holders of the Series A Preferred Stock may elect decreases as the number of shares of Series A Preferred Stock outstanding decreases in the following manner: % OF SERIES A PREFERRED STOCK % OR NUMBER OF ORIGINALLY ISSUED STILL OUTSTANDING DIRECTORS ----- 90% and above .....

50% 50% to 89.9% ..... 40% 25% to 49.9% ..... 25% 10% to 24.9% ..... At least one member 0% to 9.9% .....

none So long as at least 10% of the Series A Preferred Stock originally issued remains outstanding, each committee of the Board of Directors, the board of directors of any subsidiary of Strayer and each committee of any such subsidiary's board of directors shall include a proportionate number of directors nominated by the holders of the Series A Preferred Stock. Pursuant to the terms of the Series A Preferred Stock, Strayer's Board of Directors consists of six members elected by the preferred stockholders, including Steven B. Klinsky, Charles Ayres, David A. Coulter, Gary Gensler, Robert R. Grusky and J. David Wargo. Following the completion of this offering, approximately 65% of the Series A Preferred Stock originally issued will remain outstanding (assuming no exercise of the underwriters' over-allotment option). Accordingly, the percentage of members of the Board of Directors that the holders of the Series A Preferred Stock are entitled to elect will be reduced to 40%. As a result, in connection with this offering, Strayer has been informed that the selling stockholders expect to agree that following the completion of this offering, Charles Ayres, a designee of DB Capital, will resign from the Board of Directors, and that New Mountain will then have the right to elect all of the members of Strayer's Board of Directors that the holders of the Series A Preferred Stock are entitled to elect. In addition, in the event that Strayer fails to pay the redemption price for the Series A Preferred Stock in connection with a proper redemption request in an amount at least equal to \$30 million, the holders of the Series A Preferred Stock will be able to elect a majority of Strayer's Board of Directors until the redemption price is paid. Any significant changes in Strayer's ownership and control could require Department of Education or other regulatory agency approval. In addition to any other Board of Directors or stockholder action that may be required, the approval of a majority of the directors elected by the holders of the Series A Preferred Stock will be required in order for Strayer to take certain actions, including: o Any authorization or issuance, reclassification, repurchase, redemption or other acquisition of any of our equity securities or any rights, warrants, options or other securities exercisable for or convertible into any equity securities; o Any issuance or incurrence of indebtedness that would result in Strayer having in excess of an aggregate of \$25 million of indebtedness outstanding; o Any liquidation, dissolution, winding up or reorganization of Strayer; o Any transaction or series of related transactions involving a change of control or the sale of all or substantially all of Strayer's equity or assets, or any acquisition, disposition or other business combination involving consideration in excess of \$20 million; 52 o Any amendment to Strayer's charter or bylaws; and o The removal or replacement of, or the establishment of the level or form of compensation payable to, Strayer's chief executive officer, chief operating officer or chief financial officer.

**PREEMPTIVE RIGHTS** So long as the selling stockholders own Series A Preferred Stock and/or shares of common stock representing (on an as-converted basis) at least 50% of the shares of the Series A Preferred Stock originally issued to the selling stockholders, the selling stockholders have the right to purchase their pro rata portion of new equity securities that Strayer issues, other than certain exempt issuances.

**OPTIONS** As of September 30, 2002, there were 970,000 shares of our common stock issuable upon exercise of outstanding stock options, of which 293,333 are exercisable and 676,667 are currently not exercisable, and 579,405 shares of our common stock reserved for future issuance under our existing stock option plan. The outstanding options have a weighted average life of six years and a weighted average exercise price of \$37.09 per share.

**AUTHORIZED BUT UNISSUED CAPITAL STOCK** The requirements of Nasdaq, which will apply so long as our common stock remains traded on Nasdaq, require stockholder approval of certain issuances of stock equal to or exceeding 20% of then-outstanding voting power or then-outstanding number of shares of common stock. These additional shares may be used for a variety of corporate purposes, including future public offerings, to raise additional capital or to facilitate acquisitions. One of the effects of the existence of unissued and unreserved common stock or preferred stock may be to enable our board of directors to issue shares to persons friendly to current management, which issuance could render more difficult or discourage an attempt to obtain control of our company by means of a merger, tender offer, proxy contest or otherwise, and thereby protect the continuity of our management and possibly deprive the stockholders of opportunities to sell their shares of common stock at prices higher than prevailing market prices.

**CERTAIN CHARTER AND BYLAW PROVISIONS** Stockholders' rights and related matters are governed by Maryland law and Strayer's charter and its bylaws. Certain provisions of Strayer's charter and bylaws, which are summarized below, may make it more difficult to change the composition of Strayer's Board of Directors and may discourage or make more difficult any attempt by a person or group to obtain control of Strayer.

**VOTING REQUIREMENTS** Strayer's charter may not be amended without the affirmative vote of a majority of the votes entitled to be cast generally in the election of directors, voting as a single voting group. Strayer's bylaws may be amended either by the affirmative vote of a majority of all votes entitled to be cast generally in the election of directors, voting as a single group, or by an affirmative vote of a majority of Strayer's directors then holding office, unless the stockholders prescribe that any such bylaw may not be amended or repealed by the Board of Directors.

**SPECIAL MEETINGS** Under Strayer's bylaws, special meetings of the stockholders may be called by stockholders only if such stockholders hold outstanding shares representing at least 25% of all votes entitled to be cast on any issue proposed to be considered at any such special meeting.

**53 LIMITATION OF LIABILITY** Under Maryland law, a corporation formed in Maryland is permitted to limit, by provision in its charter, the liability of directors and officers so that no director or officer shall be liable to the corporation or to any stockholder for money damages except to the extent that: o it is proved that the director or officer actually received an improper benefit or profit in money, property or services, for the amount of the benefit or profit in money, property or services actually received; or o a judgment or other final adjudication adverse to the director or officer is entered in a proceeding based on a finding in the proceeding that the director's or officer's action, or failure to act, was the result of active and deliberate dishonesty and was material to the cause of action adjudicated in the proceeding. Strayer's charter has incorporated the provisions of this law limiting the liability of directors and officers. Strayer's bylaws require it to indemnify: o any present or former director or officer who has been successful, on the merits or otherwise, in the defense of a proceeding to which he was made a party by reason of his service in that capacity, against reasonable expenses incurred by him in connection with the proceeding; and o any present or former director or officer against any claim or liability unless it is established that: o his act or omission was committed in bad faith or was the result of active or deliberate dishonesty; o he actually received an improper personal benefit in money, property or services; or o in the case of a criminal proceeding, he had reasonable cause to believe that his act or omission was unlawful. In addition, Strayer's bylaws require it to pay or reimburse, in advance of final disposition of a proceeding, reasonable expenses incurred by a present or former director or officer made a party to a proceeding by reason of his service as a director or officer provided that Strayer shall have received: o a written affirmation by the director or officer of his good faith belief that he has met the standard of conduct necessary for indemnification by Strayer as authorized by the bylaws; and o a written understanding by or on his behalf to repay the amount paid or reimbursed by Strayer if it shall ultimately be determined that the standard of conduct was not met. Strayer's bylaws also: o provide that any indemnification or payment or reimbursement of the expenses permitted by the bylaws shall be furnished in accordance with the procedures provided for indemnification and payment of expenses under Section 2-418 of the Maryland General Corporation Law for directors of Maryland corporations; and o permit Strayer to

provide directors, officers and stockholders such other and further indemnification or payment or reimbursement of expenses as may be permitted under Section 2-418 of the Maryland General Corporation Law for directors of Maryland corporations. CORPORATE ANTI-TAKEOVER PROVISIONS Strayer has elected to include provisions in its charter exempting it from the application of the Maryland business combination statute and control share acquisition statute. TRANSFER AGENT AND REGISTRAR The transfer agent and registrar for the common stock is American Stock Transfer & Trust Company. LISTING Strayer's common stock is traded on the Nasdaq National Market under the symbol "STRA." 54 UNDERWRITING Under the terms and subject to the conditions contained in an underwriting agreement dated , 2002, the selling stockholders have agreed to sell to the underwriters named below, for whom Credit Suisse First Boston Corporation, Banc of America Securities LLC and Legg Mason Wood Walker, Incorporated are acting as representatives, the following respective numbers of shares of common stock: NUMBER OF SHARES UNDERWRITER ----- Credit Suisse First Boston Corporation ..... Banc of America Securities LLC ..... Legg Mason Wood Walker, Incorporated ..... ----- Total ..... 2,000,000 ===== The underwriting agreement provides that the underwriters are obligated to purchase all the shares of common stock in the offering if any are purchased, other than those shares covered by the over-allotment option described below. The underwriting agreement also provides that, if an underwriter defaults, the purchase commitments of the non-defaulting underwriters may be increased or the offering may be terminated. DB Capital has granted to the underwriters a 30-day option to purchase on a pro rata basis up to 300,000 additional shares at the initial public offering price less the underwriting discounts and commissions. The option may be exercised only to cover any over-allotments of common stock. The underwriters propose to offer the shares of common stock initially at the public offering price on the cover page of this prospectus and to selling group members at that price less a selling concession of \$ per share. The underwriters and selling group members may allow a discount of \$ per share on sales to other broker/dealers. After the public offering the representatives may change the public offering price and concession and discount to broker/dealers. The following table summarizes the compensation the selling stockholders will pay and the estimated expenses we will pay: PER SHARE TOTAL ----- WITHOUT WITH WITHOUT WITH OVER-ALLOTMENT OVER-ALLOTMENT OVER-ALLOTMENT OVER-ALLOTMENT -----

PER SHARE TOTAL	WITHOUT	WITH	WITHOUT	WITH	OVER-ALLOTMENT
Underwriting discounts and commissions paid by the selling stockholders .....	\$ \$ \$	\$ \$ \$	\$ \$ \$	\$ \$ \$	Expenses payable by us .....

\$ \$ \$ We have agreed that we will not offer, sell, contract to sell, pledge or otherwise dispose of, directly or indirectly, or file with the SEC a registration statement under the Securities Act relating to any shares of our common stock or securities convertible into or exchangeable or exercisable for any shares of our common stock, or publicly disclose the intention to make any offer, sale, pledge, disposition or filing, without the prior written consent of Credit Suisse First Boston Corporation, for a period of 90 days after the date of this prospectus, except that such restrictions shall not apply to (1) our ability to grant employee or director stock options pursuant to the terms of a plan in effect on the date of this prospectus, (2) the issuance of common stock pursuant to the exercise of such options or upon conversion of our outstanding preferred stock or (3) the issuance of common stock pursuant to our existing employee stock purchase or dividend reinvestment plans. Subject to certain exceptions, our executive officers and directors and the selling stockholders have agreed that they will not offer, sell, contract to sell, pledge or otherwise dispose of, directly or indirectly, any shares of our common stock or securities convertible into or exchangeable or exercisable for any shares of our common stock, enter into a transaction that would have the same effect, or enter into any swap, hedge or other arrangement that transfers, in whole or in part, any of the economic consequences of ownership of our common stock, whether any of these transactions are to be settled by delivery of our common stock or other securities, in cash or otherwise, or publicly disclose the intention to make any offer, sale, pledge or disposition, or to enter into any transaction, swap, hedge or other arrangement, without, in each case, the prior written consent of Credit Suisse First Boston Corporation, for a period of 90 days after the date of this prospectus. We and the selling stockholders have agreed to indemnify the underwriters against some liabilities under the Securities Act, or to contribute to payments which the underwriters may be required to make in that respect. Bank of America, N.A., an affiliate of Banc of America Securities LLC, is the lender under one of our undrawn credit facilities. Banc of America Securities LLC and the other underwriters may, from time to time, engage in transactions with and perform services for us in the ordinary course of business. Our common stock is traded on the Nasdaq National Market under the symbol "STRA." In connection with the offering, the underwriters may engage in stabilizing transactions, over-allotment transactions, syndicate covering transactions, penalty bids and passive market-making in accordance

with Regulation M under the Exchange Act. o Stabilizing transactions permit bids to purchase the underlying security so long as the stabilizing bids do not exceed a specified maximum. o Over-allotment involves sales by the underwriters of shares in excess of the number of shares the underwriters are obligated to purchase, which creates a syndicate short position. The short position may be either a covered short position or a naked short position. In a covered short position, the number of shares over-allotted by the underwriters is not greater than the number of shares that they may purchase in the over-allotment option. In a naked short position, the number of shares involved is greater than the number of shares in the over-allotment option. The underwriters may close out any covered short position by either exercising their over-allotment option and/or purchasing shares in the open market. o Syndicate-covering transactions involve purchases of the common stock in the open market after the distribution has been completed in order to cover syndicate short positions. In determining the source of shares to close out the short position, the underwriters will consider, among other things, the price of shares available for purchase in the open market as compared to the price at which they may purchase shares through the over-allotment option. If the underwriters sell more shares than could be covered by the over-allotment option -- a naked short position -- the position can only be closed out by buying shares in the open market. A naked short position is more likely to be created if the underwriters are concerned that there could be downward pressure on the price of the shares in the open market after pricing that could adversely affect investors who purchase in the offering. o Penalty bids permit the representatives to reclaim a selling concession from a syndicate member when the common stock originally sold by the syndicate member is purchased in a stabilizing or syndicate-covering transaction to cover syndicate short positions. o In passive market-making, market makers in the common stock who are underwriters or prospective underwriters may, subject to limitations, make bids for or purchases of our common stock until the time, if any, at which a stabilizing bid is made. These stabilizing transactions, syndicate covering transactions and penalty bids may have the effect of raising or maintaining the market price of our common stock or preventing or retarding a decline in the market price of the common stock. As a result, the price of the common stock may be higher than the price that might otherwise exist in the open market. These transactions may be effected on the Nasdaq National Market or otherwise and, if commenced, may be discontinued at any time. 56 A prospectus in electronic format may be made available on the websites maintained by one or more of the underwriters or selling group members, if any, participating in this offering. The representatives may agree to allocate a number of shares to underwriters and selling group members for sale to their online brokerage account holders. Internet distributions will be allocated by the underwriters and selling group members that will make internet distributions on the same basis as other allocations.

**NOTICE TO CANADIAN RESIDENTS RESALE RESTRICTIONS** The distribution of the common stock in Canada is being made only on a private placement basis exempt from the requirement that we and the selling stockholders prepare and file a prospectus with the securities regulatory authorities in each province where trades of common stock are made. Any resale of the common stock in Canada must be made under applicable securities laws which will vary depending on the relevant jurisdiction, and which may require resales to be made under available statutory exemptions or under a discretionary exemption granted by the applicable Canadian securities regulatory authority. Purchasers are advised to seek legal advice prior to any resale of the common stock. **REPRESENTATIONS OF PURCHASERS** By purchasing common stock in Canada and accepting a purchase confirmation, a purchaser is representing to us and the selling stockholders and the dealer from whom the purchase confirmation is received that: o the purchaser is entitled under applicable provincial securities laws to purchase the common stock without the benefit of a prospectus qualified under those securities laws; o where required by law, that the purchaser is purchasing as principal and not as agent; and o the purchaser has reviewed the text above under "Resale Restrictions." **RIGHTS OF ACTION -- ONTARIO PURCHASERS ONLY** Under Ontario securities legislation, a purchaser who purchases a security offered by this prospectus during the period of distribution will have a statutory right of action for damages, or while still the owner of the common stock, for rescission against us and the selling stockholders in the event that this prospectus contains a misrepresentation. A purchaser will be deemed to have relied on the misrepresentation. The right of action for damages is exercisable not later than the earlier of 180 days from the date the purchaser first had knowledge of the facts giving rise to the cause of action and three years from the date on which payment is made for the common stock. The right of action for rescission is exercisable not later than 180 days from the date on which payment is made for the common stock. If a purchaser elects to exercise the right of action for rescission, the purchaser will have no right of action for damages against us or the selling stockholders. In no case will the amount recoverable in any action exceed the price at which the common stock were offered to the purchaser and if the purchaser is shown to have

purchased the securities with knowledge of the misrepresentation, we and the selling stockholders will have no liability. In the case of an action for damages, we and the selling stockholders will not be liable for all or any portion of the damages that are proven to not represent the depreciation in value of the common stock as a result of the misrepresentation relied upon. These rights are in addition to, and without derogation from, any other rights or remedies available at law to an Ontario purchaser. The foregoing is a summary of the rights available to an Ontario purchaser. Ontario purchasers should refer to the complete text of the relevant statutory provisions. ENFORCEMENT OF LEGAL RIGHTS All of our directors and officers, as well as the experts named herein and the selling stockholders, may be located outside of Canada and, as a result, it may not be possible for Canadian purchasers to effect service of process within Canada upon us or those persons. All or a substantial portion of our assets and the assets of those persons may be located outside of Canada and, as a result, it may not be possible to satisfy a judgment against us or those persons in Canada or to enforce a judgment obtained in Canadian courts against us or those persons outside of Canada. TAXATION AND ELIGIBILITY FOR INVESTMENT Canadian purchasers of common stock should consult their own legal advisors with respect to the tax consequence of an investment in the common stock in their particular circumstances and about the eligibility of the common stock for investment by the purchaser under relevant Canadian legislation. LEGAL MATTERS The validity of the issuance of the shares of common stock to be sold in the offering will be passed upon for us by our special Maryland counsel, Venable, Baetjer and Howard, LLP, Baltimore, Maryland. Certain legal matters in connection with the offering will be passed upon for us by Willkie Farr & Gallagher, New York, New York. The underwriters are represented by Mayer, Brown, Rowe & Maw, Chicago, Illinois. EXPERTS The consolidated financial statements of Strayer Education, Inc. as of December 31, 2001 and 2000 and for each of the three years in the period ended December 31, 2001 included in and incorporated by reference in this registration statement on Form S-3 have been so included in reliance on the report of PricewaterhouseCoopers LLP, independent accountants, given on the authority of said firm as experts in auditing and accounting. WHERE YOU CAN FIND MORE INFORMATION We file reports, proxy statements and other information with the SEC which you can read at the SEC's website at <http://www.sec.gov> or on our website at [www.strayereducation.com](http://www.strayereducation.com). You can also read these documents at the SEC's public reference room, Room 1024, 450 Fifth Street, N.W., Judiciary Plaza, Washington, D.C. 20549. Please call the SEC toll free at 1-800-SEC-0330 for information about its public reference room. We have filed a registration statement with the SEC on Form S-3 under the Securities Act. This prospectus does not contain all of the information in the registration statement. We have omitted certain parts of the registration statement as permitted by the rules and regulations of the SEC. You may inspect and copy the registration statement, including exhibits, at the SEC's website and public reference facilities. Our statements in this prospectus about the contents of any contract or other document are not necessarily complete. You should refer to the copy of each contract or other document we have filed as an exhibit to the registration statement for complete information. 58 INCORPORATION OF CERTAIN DOCUMENTS BY REFERENCE The SEC allows us to "incorporate by reference" information into this prospectus. This means that we can disclose important information to you by referring you to another document filed separately with the SEC. The information incorporated by reference is considered to be part of this prospectus, except for any information that is superseded by information that is included directly in this document or in a more recent incorporated document. This prospectus incorporates by reference the documents listed below that we have previously filed with the SEC. The documents contain important information about us and our financial condition.

- o Our Annual Report on Form 10-K for the fiscal year ended December 31, 2001 filed on March 28, 2002.
- o Our Quarterly Report on Form 10-Q for the quarter ended March 31, 2002 filed on May 8, 2002.
- o Our Quarterly Report on Form 10-Q for the quarter ended June 30, 2002 filed on August 5, 2002.
- o Our Quarterly Report on Form 10-Q for the quarter ended September 30, 2002 filed on November 1, 2002.
- o Our Current Reports on Form 8-K, dated February 15, 2002, March 12, 2002, March 18, 2002, May 3, 2002, May 23, 2002, August 5, 2002, August 22, 2002, October 8, 2002 and November 1, 2002.
- o The description of our common stock contained in our Registration Statement on Form 8-A filed on July 18, 1996. We incorporate by reference any future filings we make with the SEC under Section 13(a), 13(c), 14 or 15(d) of the Exchange Act between the date of this prospectus and the date all of the securities offered hereby are sold (other than Current Reports on Form 8-K containing only Regulation FD disclosure furnished under Item 9 of Form 8-K and exhibits relating to such disclosures, unless otherwise specifically stated in such Current Report on Form 8-K). You can obtain any of the documents incorporated by reference in this prospectus from us, or from the SEC through the SEC's website as described above. Documents incorporated by reference are available from us without charge, excluding any exhibits to those documents, unless the

exhibit is specifically incorporated by reference in this prospectus. You can obtain documents incorporated by reference in this prospectus by requesting them from us in writing or by telephone as described above.

59 INDEX TO CONSOLIDATED FINANCIAL STATEMENTS STRAYER EDUCATION, INC. PAGE ----- UNAUDITED INTERIM FINANCIAL STATEMENTS: Condensed Consolidated Balance Sheets as of December 31, 2001 and September 30, 2002 ..... F-2 Condensed Consolidated Statements of Income for the Nine Months Ended September 30, 2001 and 2002 ..... F-3 Condensed Consolidated Statements of Comprehensive Income for the Nine Months Ended September 30, 2001 and 2002 ..... F-4 Condensed Consolidated Statements of Cash Flows for the Nine Months Ended September 30, 2001 and 2002 ..... F-5 Notes to Condensed Consolidated Financial Statements ..... F-6 AUDITED FINANCIAL STATEMENTS: Report of Independent Accountants ..... F-11 Consolidated Balance Sheets as of December 31, 2000 and 2001 ..... F-12 Consolidated Statements of Income for the Years Ended December 31, 1999, 2000 and 2001 ..... F-13 Consolidated Statements of Comprehensive Income for the Years Ended December 31, 1999, 2000 and 2001 ..... F-13 Consolidated Statements of Stockholders' Equity (Deficit) for the Years Ended December 31, 1999, 2000 and 2001 ..... F-14 Consolidated Statements of Cash Flows for the Years Ended December 31, 1999, 2000 and 2001 ..... F-15 Notes to Consolidated Financial Statements ..... F-16

F-1 STRAYER EDUCATION, INC. CONDENSED CONSOLIDATED BALANCE SHEETS (AMOUNTS IN THOUSANDS, EXCEPT SHARE DATA) DECEMBER 31, SEPTEMBER 30, 2001 2002 -----

(UNAUDITED) ASSETS	Current Assets:	Cash and cash equivalents	\$ 57,659	\$ 44,695
Short-term investments -- restricted	1,046	1,053	Marketable securities available for sale, at fair value (short-term bond fund)	-- 12,075
Income taxes receivable	-- 2,494	Tuition receivable, net of allowances for doubtful accounts	19,012	27,635
Other current assets	879	1,759	----- Total current assets	
78,596	89,711	Student loans receivable, net of allowances for losses	8,392	9,251
Property and equipment, net	23,100	36,530	Other assets	
400	414	----- Total assets		\$ 110,488
\$ 135,906	=====	LIABILITIES AND STOCKHOLDERS' EQUITY (DEFICIT)		
Current Liabilities:	Accounts payable	\$ 1,882	\$ 3,744	Accrued expenses
562	919	Income taxes payable	1,247	-- Dividends payable
1,855	1,855	Unearned tuition	23,204	34,528
----- Total current liabilities		28,750	41,046	----- Deferred lease incentives
763	1,911	----- Total liabilities		29,513
42,957	-----	Mandatorily redeemable convertible Series A preferred stock, par value \$.01; 6,000,000 shares authorized; 5,845,676 and 6,003,869 shares issued and outstanding at December 31, 2001 and September 30, 2002, respectively		
148,347	150,485	Stockholders' equity (deficit): Common Stock -- Par value \$.01; 20,000,000 shares authorized; 8,352,412 shares issued and outstanding at December 31, 2001 and September 30, 2002		
83	83	Additional paid-in capital	1,759	1,759
Retained earnings (accumulated deficit)	(69,214)	(59,423)	Accumulated other comprehensive income	-- 45
----- Total stockholders' equity (deficit)		(67,372)	(57,536)	-----
----- Total liabilities and stockholders' equity (deficit)		\$ 110,488	\$ 135,906	=====

===== The accompanying notes are an integral part of these consolidated financial statements.

F-2 STRAYER EDUCATION, INC. UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF INCOME (AMOUNTS IN THOUSANDS, EXCEPT PER SHARE DATA) FOR THE NINE MONTHS ENDED SEPTEMBER 30, -----

2001	2002	-----	Revenues	\$ 65,692	\$ 82,547	-----
Costs and Expenses:		Instruction and educational support	24,119	29,768	Selling and promotion	8,727
12,537	9,381	12,757	-----		42,227	55,062
-----		Income from operations	23,465	27,485	Investment and other income	3,407
1,242	-----	Income before income taxes	26,872	28,727	Provision for income taxes	10,479
11,203	-----	Net income	16,393	17,524	Preferred stock dividends and accretion	2,952
6,076	-----	Net income available to common				

stockholders .....	\$ 13,441	\$ 11,448	=====	=====	Basic net income per share .....	\$ 1.13	\$ 1.37	=====	=====	Diluted net income per share .....	\$ 1.10	\$ 1.21	=====	=====	The accompanying notes are an integral part of these consolidated financial statements. F-3 STRAYER EDUCATION, INC. UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (AMOUNTS IN THOUSANDS) FOR THE NINE MONTHS ENDED SEPTEMBER 30, ----- 2001 2002 -----														
Net income .....					\$16,393	\$17,524				Other comprehensive income: Unrealized gains on investments, net of taxes .....	-- 45				Reclassification adjustment for realized gains included in net income .....	(403)	--			Comprehensive income .....	\$15,990	\$17,569							
=====																													
===== The accompanying notes are an integral part of these consolidated financial statements. F-4 STRAYER EDUCATION, INC. UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS (AMOUNTS IN THOUSANDS) FOR THE NINE MONTHS ENDED SEPTEMBER 30, ----- 2001 2002 -----																													
Cash flow from operating activities: Net income .....																													
	\$ 16,393	\$ 17,524			Adjustments to reconcile net income to net cash provided by operating activities: Amortization of deferred lease incentives .....	-- (165)				Depreciation and amortization .....	1,944	2,652			Gain on sale of marketable securities .....	(887)	--			Changes in assets and liabilities: Short-term investments - restricted .....	(6,063)	(8,623)					Tuition receivable, net .....	(32)	(7)
					Other current assets .....	(548)	(880)			Other assets .....	(91)	(74)			Accounts payable .....	99	1,891			Accrued expenses .....	143	357					Income taxes payable/receivable .....	1,212	(3,741)
					Unearned tuition .....	9,598	11,324			Student loans originated .....	(5,551)	(6,270)			Collections on student loans receivable .....	4,627	5,411			Net cash provided by operating activities .....	20,844	19,399					Cash flows from investing activities: Purchases of property and equipment .....	(5,074)	(16,082)
					Investment in short-term bond fund .....	-- (12,000)				Maturities of and proceeds from marketable securities .....	50,384	--			Net cash provided by (used in) investing activities .....	45,310	(28,082)			Cash flows from financing activities: Deferred lease incentives .....	-- 1,313						Exercise of stock options .....	1,434	--
					Repurchase of common stock .....	(179,375)	--			Common dividends paid .....	(2,539)	(1,628)			Preferred dividends paid .....	(663)	(3,937)			Issuance of convertible Series A preferred stock .....	150,000	--					Payments of costs of tender offer and issuance of preferred stock .....	(5,788)	(29)
					Net cash used in financing activities .....	(36,931)	(4,281)			Net increase (decrease) in cash and cash equivalents .....	29,223	(12,964)			Cash and cash equivalents - beginning of period .....	25,190	57,659			Cash and cash equivalents - end of period .....	\$ 54,413	\$ 44,695					=====	=====	=====

The accompanying notes are an integral part of these consolidated financial statements. F-5 STRAYER EDUCATION, INC. NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS INFORMATION AS OF AND FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2001 AND 2002 IS UNAUDITED 1. BASIS OF PRESENTATION The financial statements are presented on a consolidated basis. The accompanying financial statements include the accounts of Strayer Education, Inc. (the Company), Strayer University, Inc. (the University) and Education Loan Processing, Inc. (ELP), collectively referred to herein as the "Company" or "Companies." The results of operations for the nine months ended September 30, 2002 are not necessarily indicative of the results to be expected for the full fiscal year. All information as of September 30, 2002, and for the nine months ended September 30, 2001 and 2002 is unaudited but, in the opinion of management, contains all adjustments, consisting only of normal recurring adjustments, necessary to present fairly the condensed consolidated financial position, results of operations and cash flows of the Companies. Certain information and footnote disclosures normally included in financial statements prepared in accordance with generally accepted accounting principles have been condensed or omitted. These condensed consolidated financial statements should be read in conjunction with the consolidated financial statements and notes thereto included in the Company's Annual Report on Form 10-K for the fiscal year ended December 31, 2001. Certain prior period amounts have been reclassified between accounts payable and accrued expenses on the consolidated balance sheet to conform with September 30, 2002 presentation. 2. NATURE OF OPERATIONS The Company, a Maryland corporation, conducts its operations through its subsidiaries. The University is an accredited institution of higher education that provides undergraduate and graduate degrees in various fields of study through its twenty campuses in Maryland,

Washington, D.C., Virginia and (beginning July 1, 2002) North Carolina. ELP provides student loans for the University's students. For purposes of the consolidated balance sheets, all of ELP's assets and liabilities have been classified as current assets and liabilities with the exception of student loans receivable, which have been classified as non-current consistent with industry practice.

**3. INCOME PER SHARE** Basic earnings per share is computed by dividing net income available to common stockholders by the weighted average number of shares of common stock outstanding. Diluted earnings per share is computed by dividing net income by the weighted average common and potentially dilutive common equivalent shares outstanding, determined as follows: FOR THE NINE MONTHS ENDED SEPTEMBER 30, ----- (IN THOUSANDS) 2001 2002 -----

Weighted average shares outstanding used to compute basic earnings per share .....	11,851	8,352	Incremental shares issuable upon the assumed conversion of preferred stock .....	2,925	5,951
Incremental shares issuable upon the assumed exercise of stock options .....	71	182	-----	-----	-----
Shares used to compute diluted earnings per share .....	14,847	14,485	=====	=====	=====

For additional information regarding total potential share issuance, see "Management's Discussion and Analysis of Financial Condition and Results of Operations." F-6 Set forth below is a reconciliation of net income used to compute earnings per share: FOR THE NINE MONTHS ENDED SEPTEMBER 30, ----- (IN THOUSANDS) 2001 2002 -----

Net income available to common stockholders used to compute basic earnings per share .....	\$13,441	
\$11,448 Plus: Impact of assumed preferred stock conversion: Preferred stock dividends and accretion .....	2,952	6,076
-----	-----	-----
Net income used to compute diluted earnings per share .....	\$16,393	\$17,524
=====	=====	=====

**4. CREDIT FACILITY** The Company maintains a credit facility from a bank in the amount of \$10.0 million. Interest on any borrowings under the facility will accrue at an annual rate not to exceed 0.75% above the London Interbank Offered Rate. There is no outstanding balance on this credit facility as of September 30, 2002.

**5. STOCKHOLDERS' EQUITY** Common Stock A total of 20,000,000 shares of common stock, par value \$0.01, have been authorized. As of December 31, 2001 and September 30, 2002, the Company had 8,352,412 shares of common stock issued and outstanding. For the three months ended September 30, 2002, the Company declared a quarterly cash dividend of \$0.065 per common share. The dividend was paid on October 22, 2002 to common stockholders of record on October 8, 2002. Preferred Stock/Mandatorily Redeemable Convertible Series A Preferred Stock A total of 8,000,000 shares of preferred stock, par value \$0.01, have been authorized. Of these preferred shares, 6,000,000 have been designated as Series A Preferred Stock, including shares reserved for the payment of pay-in-kind dividends on outstanding shares of Series A Preferred Stock. The following table reflects all Series A Preferred Stock activity from December 31, 2001 to September 30, 2002: MANDATORILY REDEEMABLE CONVERTIBLE SERIES A PREFERRED STOCK ----- \$ AMOUNT (IN THOUSANDS) Balance, December 31, 2001 .....

\$148,347 Dividends -- paid-in-kind shares .....	4,184	Accretion of carrying value .....	(2,046)	-----	Balance, September 30, 2002 .....	\$150,485
=====	=====	=====	=====	=====	=====	=====

On January 1, 2002 the Company recorded 51,819 shares of Series A Preferred Stock that had been accrued as pay-in-kind dividends as of December 31, 2001. On April 1, 2002 the Company recorded 52,726 shares of Series A Preferred Stock that had been accrued as pay-in-kind dividends as of March 31, 2002. On July 1, 2002 the Company recorded 53,648 shares of Series A Preferred Stock that had been accrued as pay-in-kind dividends as of June 30, 2002. The number of shares of Series A Preferred Stock outstanding and/or recorded as of September 30, 2002 was 6,003,869. On October 1, 2002, the Company recorded 54,587 shares of Series A Preferred Stock that had been accrued as pay-in-kind dividends as of September 30, 2002. The Series A Preferred Stock dividends and accretion are recorded based on an effective yield of 5.43% applied to the carrying value of the Series A Preferred Stock. This stock is convertible into common shares at a price of \$26.00 per share on a one-for-one basis. To the extent the Company's F-7 common stock trades above \$52.00 per share for 20 consecutive trading days at any time after May 15, 2004, the Company may cause conversion of the Series A Preferred Stock. For a more detailed description of the terms of the Series A Preferred Stock, see the description thereof contained in the Note 6 of the Company's Annual Report on Form 10-K for the year ended December 31, 2001. Stock Options In July 1996, the Company's stockholders approved 1,500,000 shares of common stock for grants under the Company's 1996 Stock Option Plan. This Plan was amended by the stockholders at the May 2001 Annual Stockholders' Meeting to increase the shares authorized for issuance thereunder by 1,000,000 (as amended, the "Plan") to 2,500,000. The Plan provides for the grant of options intended to qualify as incentive stock options, and also provides for the grant of non-qualifying options to employees and directors of the Company. Options may be granted to eligible employees or directors of the Company at the discretion of the Board of Directors, at option prices based at or above the fair market

value of the shares at the date of grant. Vesting provisions are at the discretion of the Board of Directors. The maximum term of the options was 5 years before the amendment and 7 years after the amendment. The table below sets forth the stock option activity for the nine months ended September 30, 2002: WEIGHTED-AVERAGE NUMBER OF SHARES EXERCISE PRICE ----- Balance, December 31, 2001 ..... 930,000 \$ 36.43 Grants ..... 50,000 51.83 Exercises ..... -- -- Forfeitures ..... (10,000) (49.33) ----- Balance, September 30, 2002 ..... 970,000 \$ 37.09 ===== In the second quarter of 2002, 50,000 stock options were in total granted to three new employees and one new member of the Board of Directors. These options vest over 3 to 4 years with exercise prices ranging from \$49.33 to \$61.81. All options granted in 2002 expire in 2009. In the third quarter of 2002, no stock options were granted and 10,000 stock options were forfeited. Of the 970,000 total stock options that have been issued and are outstanding, 293,333 are exercisable as of September 30, 2002. A total of 579,405 shares remain authorized but unissued under the Plan. The Company accounts for the fair value of its stock options granted to employees and directors in accordance with Accounting Principles Board Opinion No. 25, "Accounting for Stock Issued to Employees." Accordingly, no compensation expense has been recognized for the Plan since the exercise price of the options was equal to the fair value of the underlying common stock on the date of grant. Had compensation expense been determined based on the fair value of the options at the grant dates consistent with that method of accounting under Statement of Financial Accounting Standards No. 123, "Accounting for Stock Based Compensation," the Company's net income and net income per share for the nine months ended September 30, 2002 would have been decreased as indicated in the pro forma section below (in thousands): F-8 FOR THE NINE MONTHS ENDED SEPTEMBER 30,

-----	2001	2002	-----	As Reported: Net income available to all shareholders .....
\$ 16,393	\$ 17,524			\$ 13,441
				\$ 11,448
				Net income per common share-Basic .....
\$ 1.13	\$ 1.37			\$ 1.10
				\$ 1.21
				Proforma: Net income available to all shareholders .....
\$ 15,377	\$ 15,682			\$ 12,425
				\$ 9,606
				Net income per common share-Basic .....
\$ 0.91	\$ 1.15			\$ 1.03
				\$ 1.08

For the purposes of the above presentation, the fair value of each option granted in 2001 was estimated on the date of grant using the Black-Scholes option-pricing model using the following assumptions: dividend yield of .7%; expected volatility of 47%; risk-free interest rate of 4.75% and an expected term of 5.3 years. The weighted average fair value for the 2001 grants was \$16.68. The fair value of each option granted in 2002 was estimated using the Black-Scholes option-pricing model using the following assumptions: dividend yield of .7%; expected volatility of 43%; risk-free interest rate of 4.81%; and an expected term of 5.9 years. The weighted average fair value for the 2002 grants was \$23.65.

6. INVESTMENTS IN MARKETABLE SECURITIES In the second quarter of 2002, as part of its cash management activities, the Company began investing in a diversified no load, short-term, investment grade corporate bond fund. These marketable securities are considered "available for sale," and as such, are stated at fair value. The net unrealized gains and losses are reported as a component of accumulated comprehensive income (loss) in stockholders' equity (deficit) net of tax.

7. RECENT ACCOUNTING PRONOUNCEMENTS In August 2001, the FASB issued Statement of Financial Accounting Standards No. 144, "Accounting for the Impairment or Disposal of Long-Lived Assets" ("FAS 144"). FAS 144 supersedes FASB Statement No. 121 "Accounting for Impairment of Long-lived Assets and for Long-lived Assets to be Disposed of". FAS 144 addresses the financial accounting and reporting for long-lived assets and their impairment and disposal. The statement is effective for fiscal years beginning after December 15, 2001. The Company has long-lived assets in the form of buildings that it owns and uses to conduct classes for its students. FAS 144 was adopted on January 1, 2002 with no material effect on the consolidated financial statements.

8. LEASE AGREEMENTS During the first quarter of 2002, the Company executed lease agreements for three North Carolina campuses. The table below sets forth additional information regarding these leases: LEASE COMMENCEMENT AVERAGE CAMPUS SQUARE FEET DATE TERM ANNUAL PAYMENT ----- South Charlotte, NC 12,500 5/15/02 60 mos. \$143,000 Raleigh-Durham, NC 12,900 5/20/02 60 mos. \$166,000 North Charlotte, NC 13,600 6/15/02 100 mos. \$194,000

9. DEFERRED LEASE INCENTIVES In conjunction with the opening of the Company's new corporate headquarters in Arlington, VA in 2002, the Company was reimbursed by the lessor for improvements made to the leased property in F-9 the amount of \$250,000 in the three months ended June 30, 2002. The Company was reimbursed by the lessors for improvements made to leased property in the amount of \$1,063,000 in the three months ended September 30, 2002 primarily in conjunction with the opening of the Company's three North Carolina

campuses. The Company also recorded \$763,000 in lease incentives for two new campuses in 2001. In accordance with Financial Accounting Standards Board Technical Bulletin No. 88-1, these costs were capitalized as leasehold improvements and the reimbursements were recorded as deferred lease incentives. The leasehold improvements and the deferred lease incentives are being amortized on a straight-line basis over the corresponding lease terms, which range from 5 to 10 years.

F-10 REPORT OF INDEPENDENT ACCOUNTANTS The Board of Directors and Stockholders Strayer Education, Inc. In our opinion, the accompanying consolidated balance sheets and the related consolidated statements of income, comprehensive income, stockholders' equity (deficit) and cash flows present fairly, in all material respects, the financial position of Strayer Education, Inc. and its subsidiaries (the "Company") as of December 31, 2001 and 2000, and the results of their operations and their cash flows for each of the three years in the period ended December 31, 2001 in conformity with accounting principles generally accepted in the United States of America. These financial statements are the responsibility of the Company's management; our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits of these statements in accordance with auditing standards generally accepted in the United States of America, which require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

/s/ PricewaterhouseCoopers LLP Washington, D.C. February 1, 2002 F-11 STRAYER EDUCATION, INC. CONSOLIDATED BALANCE SHEETS (IN THOUSANDS, EXCEPT SHARE DATA) DECEMBER 31,

	2000	2001	
<b>ASSETS</b>			
Current assets:			
Cash and cash equivalents	\$ 25,190	\$ 57,659	
Marketable securities available for sale, at fair value			5,918 --
Short-term investments--restricted	1,008	1,046	
Tuition receivable, net of allowances for doubtful accounts of \$489 and \$457 in 2000 and 2001, respectively	15,264	19,012	
Other current assets	757	879	
<b>Total current assets</b>	<b>48,137</b>	<b>78,596</b>	
Student loans receivable, net of allowances for losses	7,288	8,392	
Property and equipment, net	19,469	23,100	
Marketable securities available for sale, at fair value			43,982 --
Other assets	263	400	
<b>Total assets</b>	<b>\$119,139</b>	<b>\$110,488</b>	
<b>LIABILITIES AND STOCKHOLDERS' EQUITY (DEFICIT)</b>			
<b>Current liabilities:</b>			
Accounts payable	\$ 769	\$ 792	
Accrued expenses	1,325	1,652	
Income taxes payable	995	1,855	
Unearned tuition			17,983 23,204
<b>Total current liabilities</b>	<b>21,395</b>	<b>28,750</b>	
Long-term liabilities	-- 763		
<b>Total liabilities</b>	<b>21,395</b>	<b>29,513</b>	
<b>Commitments and contingencies</b>			
Mandatorily redeemable convertible preferred stock, par value \$.01; liquidation preference \$151,988 (excluding accrued dividends); 6,000,000 shares authorized; 5,845,676 Series A shares issued and outstanding in 2001			
	--	148,347	
<b>Stockholders' equity (deficit):</b>			
Common stock, par value \$.01; 20,000,000 shares authorized; 15,303,166 and 8,352,412 shares issued and outstanding in 2000 and 2001, respectively	153	83	
Additional paid-in capital	33,119	1,759	
Retained earnings (accumulated deficit)	64,069	(69,214)	
Accumulated other comprehensive income	403	--	
<b>Total stockholders' equity (deficit)</b>	<b>97,744</b>	<b>(67,372)</b>	
<b>Total liabilities and stockholders' equity (deficit)</b>	<b>\$119,139</b>	<b>\$110,488</b>	

The accompanying notes are an integral part of these consolidated financial statements.

F-12 STRAYER EDUCATION, INC. CONSOLIDATED STATEMENTS OF INCOME (IN THOUSANDS, EXCEPT PER SHARE DATA) FOR THE YEAR ENDED DECEMBER 31,

	1999	2000	2001	
<b>Revenues</b>				
	\$ 69,776	\$ 78,214	\$ 92,876	
<b>Costs and expenses:</b>				
Instruction and educational support	25,082	28,187	33,699	
Selling and promotion	7,765	8,480	12,576	
General and administration	9,405	10,620	13,094	
	42,252	47,287	59,369	
<b>Income from operations</b>	<b>27,524</b>	<b>30,927</b>	<b>33,507</b>	
Investment and other income	4,302	4,756	3,791	
<b>Income before income taxes</b>	<b>31,826</b>	<b>35,683</b>	<b>37,298</b>	
Provision for income taxes	12,500	13,974	14,489	
<b>Net income</b>	<b>\$19,326</b>	<b>\$21,709</b>	<b>\$22,809</b>	

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19,326	21,709	22,809	Preferred stock dividends and accretion	5,010
Net income available to common stockholders			\$ 19,326	\$ 21,709
Net income per share: Basic			\$ 1.25	\$ 1.42
Diluted			\$ 1.23	\$ 1.41
Weighted average shares outstanding Basic			15,506	15,324
Diluted			15,711	15,451

STRAYER EDUCATION, INC. CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (IN THOUSANDS) FOR THE YEAR ENDED DECEMBER 31, 1999 2000 2001

Net income	\$19,326	\$21,709	\$22,809	Other comprehensive income (loss): Unrealized gains (losses) on investments, net of taxes	(204)	(136)	--
Reclassification adjustment for realized gains included in net income, net of taxes	--	--	(403)				
Comprehensive income	\$19,122	\$21,573	\$22,406				

The accompanying notes are an integral part of these consolidated financial statements. F-13 STRAYER EDUCATION, INC. CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY (DEFICIT) (IN THOUSANDS, EXCEPT SHARE DATA) RETAINED ACCUMULATED COMMON STOCK ADDITIONAL EARNINGS OTHER

PAID-IN (ACCUMULATED COMPREHENSIVE SHARES AMOUNT CAPITAL DEFICIT) INCOME TOTAL Balance, December 31, 1998

15,774,477	\$158	\$ 50,470	\$ 30,274	\$ 743	\$ 81,645	Exercise of stock options	133,203	1	903	--	904
Repurchase of common stock	(630,429)	(6)	(17,723)	--	(17,729)	Dividends (\$0.24 per share)	--	--	--	--	--
Tax benefit from exercise of stock options	--	--	525	--	525	Net unrealized losses on marketable securities	--	--	--	(204)	(204)
Net income	--	--	19,326	--	19,326						

Balance, December 31, 1999 15,277,251 153 34,175 46,194 539 81,061 Exercise of stock options 88,615 1 590 -- 591 Repurchase of common stock (62,700) (1) (2,028) -- (2,029) Dividends (\$0.25 per share) (3,834) -- (3,834) Tax benefit from exercise of stock options 382 -- 382 Net unrealized losses on marketable securities (136) (136) Net income 21,709 -- 21,709

Balance, December 31, 2000 15,303,166 153 33,119 64,069 403 97,744 Exercise of stock options 224,246 2 1,493 -- 1,495 Repurchase of common stock including transaction costs of \$3,671 (7,175,000) (72) (34,528) (148,446) -- (183,046) Preferred stock dividends and accretion (5,010) -- (5,010) Common stock dividends (\$0.26 annually per share) (2,636) -- (2,636) Tax benefit from exercise of stock options 1,675 -- 1,675 Reclassification adjustment for realized gains included in net income (403) (403) Net income 22,809 -- 22,809

Balance, December 31, 2001 8,352,412 \$ 83 \$ 1,759 \$ (69,214) \$ -- \$ (67,372)

The accompanying notes are an integral part of these consolidated financial statements. F-14 STRAYER EDUCATION, INC. CONSOLIDATED STATEMENTS OF CASH FLOWS (IN THOUSANDS) FOR THE YEAR ENDED DECEMBER 31, 1999 2000 2001

Cash flows from operating activities: Net income	\$ 19,326	\$ 21,709	\$ 22,809	Adjustments to reconcile net income to net cash provided by operating activities: Depreciation and amortization	1,894	2,063	2,643
Provision for student loan losses	216	172	196	Deferred income taxes	(248)	(147)	144
Gain on sale of marketable securities	--	--	(887)	Changes in assets and liabilities: Short-term investments--restricted	(37)	(49)	(38)
Tuition receivable, net	(3,185)	(267)	(3,748)	Income taxes	599	906	2,600
Other current assets	(114)	42	(145)	Other assets	(97)	56	--
Accounts payable	17	279	23	Accrued expenses	(520)	902	327
Unearned tuition	2,098	2,612	5,221	Student loans originated or acquired	(5,124)	(5,499)	(7,313)
Collections on student loans receivable	3,996	4,475	6,013	Net cash provided by operating activities	18,821	27,254	27,845

Cash flows from investing activities: Purchases of property and equipment	(4,851)	(4,388)	(6,274)	Purchases of marketable securities	(9,298)	(14,157)	--
Maturities of marketable securities	9,030	9,462	50,126	Net cash provided by (used in) investing activities	(5,119)	(9,083)	43,852

Cash flows from financing activities: Common dividends paid	(3,278)	(3,756)	(3,088)	Preferred dividends paid	--	--	(1,976)
---	---------	---------	---------	--------------------------	----	----	---------

Lease incentives .....	-- --	763	Proceeds from exercise of stock options .....	904
591 1,495	Repurchase of common stock .....	(17,729)	(2,029)	(183,046)
	Issuance of preferred stock, net .....	-- --	146,624	-----
	Net cash used in financing activities .....			
	(20,103)	(5,194)	(39,228)	Net increase (decrease) in cash and cash requirements .....
	(6,401)	12,977	32,469	Cash and cash equivalents--beginning of year .....
12,213	25,190	-----	-----	Cash and cash equivalents--end of year .....
57,659	=====	=====	=====	\$ 12,213 \$ 25,190 \$ 57,659

The accompanying notes are an integral part of these consolidated financial statements. F-15 STRAYER EDUCATION, INC. NOTES TO CONSOLIDATED FINANCIAL STATEMENTS 1. ORGANIZATION AND NATURE OF OPERATIONS Strayer Education, Inc. (the "Company"), a Maryland corporation, conducts its operations through its subsidiaries, Strayer University, Inc. (the "University") and Education Loan Processing, Inc. ("ELP"). The University is an accredited institution of higher education that provides undergraduate and graduate degrees in various fields of study through its seventeen campuses in the District of Columbia, Maryland and Virginia. The Company has also been approved to offer its programs in North Carolina and plans to open three campuses in that state in 2002. In May 2001, the Company underwent a \$150 million recapitalization and change of control transaction in which it issued 5,769,231 shares of its Series A Convertible Mandatorily Redeemable Preferred Stock of the Company to an investor group consisting of New Mountain Partners L.P. and DB Capital Investors, L.P. (collectively, the "Investors"). The Series A Convertible Mandatorily Redeemable Preferred Stock has an effective dividend yield of 5.43% and is convertible into common stock at a price of \$26.00 per share, subject to adjustment under certain circumstances. (See Note 6 below.) The Company used the \$150 million, together with approximately \$36.4 million of its cash and marketable securities, to repurchase 7,175,000 shares of outstanding common stock of the Company from the Company's then CEO and majority stockholder at \$25.00 per share. PRINCIPLES OF CONSOLIDATION The consolidated financial statements include the accounts of the Company and its subsidiaries, the University, ELP, and Professional Education, Inc. (which is currently an inactive subsidiary). All inter-company accounts and transactions have been eliminated in the consolidated financial statements. CASH AND CASH EQUIVALENTS Cash and cash equivalents consist of operating cash and cash invested in money market mutual funds and bank CDs. The Company places its cash and temporary cash investments with high quality credit institutions. The Company considers all highly liquid instruments purchased with a maturity of three months or less at the date of purchase to be cash equivalents. INVESTMENTS The Company's investments in marketable securities are considered "available-for-sale" and, as such are stated at fair value. The net unrealized gains and losses are reported as a component of accumulated comprehensive income in stockholders' equity (deficit). Realized gains or losses from the sale of marketable securities are based on the specific identification method. TUITION REVENUES Tuition income is deferred at the time of registration and is recognized as income, net of any refunds or withdrawals, throughout each respective quarter session. Advance registrations for the next quarter are shown as unearned tuition. STUDENT LOANS RECEIVABLE Student loans receivable are stated at the amount of unpaid principal, reduced by an allowance for loan losses. Interest income from student loans is recognized using the interest method. Provisions for estimated losses on student loans are charged to income in amounts sufficient to maintain the allowance at a level considered adequate to cover the losses of principal and interest in F-16 STRAYER EDUCATION, INC. NOTES TO CONSOLIDATED FINANCIAL STATEMENTS--(CONTINUED) the existing loan portfolio, based upon historical trends, economic conditions and other information. ELP's charge-off policy is based on a loan-by-loan review; however, any loan with payments more than 120 days past due is written off against the allowance. ELP's student loans receivable have been classified as non-current assets, consistent with industry practice. All of ELP's other assets and liabilities have been classified as current assets and current liabilities for consolidation purposes. CONCENTRATION OF CREDIT RISK The Company places its cash and temporary cash investments in money market mutual funds and bank CD's with high credit quality institutions. At times cash and cash equivalent balances may be in excess of the FDIC insurance limit. The Company has not experienced any losses on its cash and cash equivalents. Tuition receivables are not collateralized; however, credit risk is minimized as a result of the diverse nature of the University's student base in the District of Columbia, Maryland, and Virginia. The University establishes an allowance for doubtful tuition accounts based upon historical trends and other information. Student loans are receivable from the University's students. The Company performs credit evaluations and requires cosigners in some instances to minimize credit risk. PROPERTY AND EQUIPMENT Property and equipment are stated at cost. Depreciation of property and equipment is calculated using the straight-line method over the estimated useful lives



Leasehold improvements ..... 5,702 5,479 3-10 Vehicles ..... 22 22 5  
 Construction in progress ..... 1,436 14 -- ----- 29,267 32,504 Accumulated depreciation and  
 amortization ..... (9,798) (9,404) ----- \$ 19,469 \$ 23,100 =====  
 During 2001, fully depreciated assets of approximately \$3 million were written off. In addition, \$763,000 in leasehold improvements,  
 paid by lessors as lease incentives, were capitalized during 2001. 4. STUDENT LOANS RECEIVABLE The loans  
 receivable under the Strayer Education Loan Program as of December 31, 2000 and 2001 are as follows (in  
 thousands): 2000 2001 ----- Student loans receivable outstanding, including accrued interest ..... \$7,753  
 \$8,928 Allowance for loan losses. .... (465) (536) ----- Student loans receivable, net  
 ..... \$7,288 \$8,392 ===== The interest rate on these student loans is generally  
 7.5%. The Company believes the carrying value of the student loans approximates their fair value. The loans require a  
 minimum monthly payment based on a percentage of the outstanding monthly balance, plus interest, while the student  
 is in attendance. Upon the student's graduation or withdrawal, the loans become due in equal monthly installments  
 based on a fixed payment plan. F-19 STRAYER EDUCATION, INC. NOTES TO CONSOLIDATED FINANCIAL  
 STATEMENTS--(CONTINUED) 5. STOCK OPTION PLAN In July 1996, the Company set aside 1,500,000 shares  
 of common stock for grants under the Company's 1996 Stock Option Plan, which was amended at the May 2001  
 Annual Shareholders' Meeting to increase the shares authorized for issuance thereunder by 1,000,000 (as amended,  
 "the Plan"). The Plan provides for the grant of options intended to qualify as incentive stock options, and also provides  
 for the grant of non-qualifying options to directors and employees and directors of the Company. Options may be  
 granted to eligible employees of the Company at the discretion of the Board of Directors, at option prices based on the  
 fair market value of the shares at the date of grant. Vesting provisions are at the discretion of the Board of Directors.  
 The maximum term of the options was 5 years before the amendment and 7 years after the amendment. Stock option  
 activity for the years ended December 31, 1999, 2000 and 2001 are as follows: NUMBER OF  
 WEIGHTED-AVERAGE SHARES EXERCISE PRICE ----- Balance, December 31, 1998 .....  
 443,762 \$ 6.67 Grants ..... 2,759 6.67 Exercises ..... (133,203) 6.67 Forfeitures  
 ----- Balance, December 31, 1999 ..... 313,318 6.67 Grants ..... --  
 Exercises ..... (88,615) 6.67 Forfeitures ----- Balance, December 31, 2000  
 ..... 224,703 6.67 Grants ..... 930,000 36.43 Exercises ..... (224,246) 6.67 Forfeitures  
 ..... (457) 6.67 ----- Balance, December 31, 2001 ..... 930,000 \$ 36.43 =====  
 The number of shares exercisable as of December 31, 1999, 2000 and 2001 are as follows: NUMBER OF  
 WEIGHTED-AVERAGE SHARES EXERCISE PRICE ----- Exercisable, December 31, 1999  
 ..... 313,318 \$ 6.67 Exercisable, December 31, 2000 ..... 224,703 \$ 6.67 Exercisable, December 31, 2001 ..... --  
 \$ -- During 2001, new options were granted to thirteen key executives and directors in conjunction with the  
 recapitalization that took place in May 2001 and the retention of a new senior management team. The weighted  
 average exercise price per share of all options as of December 31, 2001 was \$36.43. The options vest over 3 to 4 years  
 with exercise prices ranging from \$33.69 to \$47.44. All options granted in 2001 expire in 2008 and have a  
 weighted-average contractual life of 6.3 years as of December 31, 2001. The Company accounts for the fair value of  
 its stock options granted to employees and directors in accordance with Accounting Principles Board Opinion No. 25,  
 "Accounting for Stock Issued to Employees." Accordingly, no compensation expense has been recognized for the  
 Plan, since the exercise price of the options was equal to the fair value of the underlying common stock on the date  
 F-20 STRAYER EDUCATION, INC. NOTES TO CONSOLIDATED FINANCIAL  
 STATEMENTS--(CONTINUED) of grant. Had compensation expense been determined based on the fair value of the  
 options at the grant dates consistent with that method of accounting under Statement of Financial Accounting  
 Standards No. 123, "Accounting for Stock Based Compensation," the Company's net income and net income per share  
 for the years ended December 31, 1999, 2000, and 2001 would have been decreased as indicated in the pro forma  
 section below (in thousands): 1999 2000 2001 ----- As reported: Net income  
 ..... \$ 19,326 \$ 21,709 \$ 22,809 Net income available to common stockholders ..... \$ 19,326  
 \$ 21,709 \$ 17,799 Net income per common share -- Basic ..... \$ 1.25 \$ 1.42 \$ 1.62 Net income per common  
 share -- Diluted. .... \$ 1.23 \$ 1.41 \$ 1.55 Pro forma: Net income ..... \$ 19,283 \$ 21,530 \$  
 21,269 Net income available to common stockholders ..... \$ 19,283 \$ 21,530 \$ 16,259 Net income per common  
 share -- Basic ..... \$ 1.24 \$ 1.40 \$ 1.48 Net income per common share -- Diluted. .... \$ 1.23 \$ 1.39 \$ 1.44  
 The fair value of each option granted in 1999 was estimated on the date of grant using the Black-Scholes

option-pricing model using the following assumptions: dividend yield of 1.0%; expected volatility of 47%; risk-free interest rate of 5.25%; expected term of 2.1 years. The weighted average fair value at date of grant was \$25.55 per share. There were no new options granted in 2000. The fair value of each option granted in 2001 was estimated on the date of grant using the Black-Scholes option-pricing model using the following assumptions: dividend yield of .7%; expected volatility of 47%; risk-free interest rate of 4.75% and an expected term of 5.31 years. The weighted average fair value at the date of grant was \$16.68.

6. PREFERRED STOCK/SERIES A MANDATORILY REDEEMABLE CONVERTIBLE PREFERRED STOCK In May 2001, the Company underwent a \$150 million recapitalization and change of control transaction in which it issued 5,769,231 shares of its Series A Convertible Mandatorily Redeemable Preferred Stock (the "Series A Preferred Stock") of the Company to an investor group consisting of New Mountain Partners L.P. and DB Capital Investors, L.P. (collectively, the "Investors"). The Series A Preferred Stock has an effective dividend yield of 5.43% and is convertible into common stock at a price of \$26.00 per share, subject to adjustment under certain circumstances. The Company used the \$150 million, together with approximately \$36.4 million of its cash and marketable securities, to repurchase 7,175,000 shares of outstanding common stock of the Company from the Company's then CEO and majority stockholder at \$25.00 per share. The Series A Preferred Stock has the following material terms: Authorized A total of 8,000,000 shares of preferred stock, par value \$.01, have been authorized. Of these preferred shares, 6,000,000 have been designated as Series A Preferred Stock, including shares to be reserved for the payment of dividends on the outstanding shares of Series A Preferred Stock. The original issuance of Series A Preferred Stock and all quarterly preferred stock dividends thereon through December 31, 2001 are reflected in the following table: F-21 STRAYER EDUCATION, INC. NOTES TO CONSOLIDATED FINANCIAL STATEMENTS--(CONTINUED) SERIES A MANDATORILY REDEEMABLE CONVERTIBLE PREFERRED STOCK ----- AMOUNT SHARES (IN THOUSANDS) ----- Balance,

December 31, 2000 .....	-- -- Issuance of shares .....	5,769,231	\$150,000	Issuance costs .....	(3,375)
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Dividend-paid in kind shares .....	76,445	1,988	Accretion of carrying value .....	(266)	-----
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Balance, December 31, 2001 .....	5,845,676	\$148,347	=====	=====	Series A Preferred Stock dividends
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and accretion are recorded based on an effective yield of 5.43% applied to the carrying value of the Series A Preferred Stock. Ranking The shares of Series A Preferred Stock rank, as to dividends and rights upon liquidation, dissolution, or winding up, senior to the common Stock and on a parity with each other. Dividends The holders of shares of Series A Preferred Stock are entitled to receive dividends prior to any amounts being paid on the common stock when, as, and if declared by the Board of Directors out of funds legally available therefore. Dividends on the Series A Preferred Stock are payable as follows: o From the original issuance date of the Series A Preferred Stock until May 15, 2006, dividends accrue at an annual rate of 7.0% of the sum of the liquidation amount, which is \$26.00 per share, as adjusted, plus any accumulated and unpaid dividends, with 3.5% of the original investment amount payable in cash when the dividend is declared and the rest issued in additional shares and compounding quarterly until the Series A Preferred Stock either converts, is redeemed, or a liquidation event occurs. o Beginning on May 16, 2006, dividends accrue at an annual rate of 3.0% of the sum of the Liquidation Amount plus any accumulated and unpaid dividends, all of which are payable in cash when the dividend is declared. In addition, when and if the Board of Directors declares regular quarterly dividends on the common stock up to \$0.065 per share, holders of Series A Preferred Stock are not entitled to participate in the common stock dividend. However, the Series A Preferred Stock will participate on an as-converted basis in any dividends on the common stock in excess of the regular quarterly dividends of \$0.065 per share. Conversion at the Option of the Holder The shares of Series A Preferred Stock are initially convertible, in whole or in part, at the option of the holder thereof, into shares of common stock at a conversion rate of one share of common stock for each share of Series A Preferred Stock, subject to adjustment for certain events, including stock splits, stock dividends, and dilutive issuances of capital stock. Liquidation Rights Upon any liquidation, dissolution, or winding up of the Company, the holders of Series A Preferred Stock are entitled to a liquidation preference, prior to any amounts being paid on the F-22 STRAYER EDUCATION, INC. NOTES TO CONSOLIDATED FINANCIAL STATEMENTS--(CONTINUED) common stock, in an amount equal to the greater of (1) the sum of \$26.00 per share of Series A Preferred Stock plus compounded, accumulated but unpaid dividends (in each case, as adjusted for stock dividends, stock combinations, or similar events) and (2) the product of (a) the price of the common stock calculated as the average of the daily closing prices for 5 consecutive trading days selected by the Board of Directors out of the 20 trading days preceding the date of the liquidation, dissolution, or winding up and (b) the number of shares of common stock to which the holders of Series A Preferred Stock would have been entitled if they had converted their

shares. Change of Control Upon any change of control of the Company, the holders of Series A Preferred Stock are entitled in each holder's sole discretion to elect to receive the liquidation amount per share plus accumulated and unpaid dividends. If no election is made, the holders retain their Series A Preferred Stock. Voting Rights Each holder of Series A Preferred Stock is entitled to the number of votes equal to the number of whole shares of common stock into which all of the holder's Series A Preferred Stock is convertible, with respect to all matters submitted for Stockholder approval. Except as provided by law or by the express terms of the Series A Preferred Stock, holders vote together with holders of the common stock as a single class. For so long as there are any shares of Series A Preferred Stock outstanding, the approval of the holders of at least a majority of the Series A Preferred Stock shall be required to take certain actions including: o Any reclassification of the Series A Preferred Stock or any amendment, alteration, or repeal of any provision of our charter or bylaws that adversely affects the holders of the Series A Preferred Stock; o The authorization, creation, or issuance of additional equity securities ranking senior to or on a par with the Series A Preferred Stock on liquidation or distributions or any security convertible into, or which provides a right to acquire, a senior or pari passu security; o Any issuance of shares of common stock at a per share price less than \$26.00, subject to certain adjustments, including securities convertible into common stock at a per share conversion price less than \$26.00; and o The declaration, payment, or making of any dividend or distribution on the common stock other than our regular quarterly dividend of \$0.065 per share of common stock. Redemption at the Company's Option The Series A Preferred Stock may not be redeemed at the option of the Company prior to May 15, 2004. From and after the third year until the fifth year that the Series A Preferred Stock is outstanding, so long as the common stock is listed on the New York Stock Exchange or the NASDAQ National Market, the Company may redeem it, in whole or in part, within 45 days of any period in which the closing price of the common stock for at least 20 consecutive trading days equals or exceeds 200% of the conversion price, which is initially \$26.00 per share; provided that the 20 day period may not begin before May 15, 2004. After May 15, 2006, the Company may redeem the Series A Preferred Stock in whole or in part at its discretion. In either case, the redemption price of each share of Series A Preferred Stock is equal to the liquidation amount, plus accumulated and unpaid dividends. The decision of whether to redeem is to be made in the discretion of the directors not elected by the Investors. F-23 STRAYER EDUCATION, INC. NOTES TO CONSOLIDATED FINANCIAL STATEMENTS--(CONTINUED) Redemption at the Option of the Holder The holders of the Series A Preferred Stock may request that it be redeemed only: o After the tenth anniversary of its issuance (May 15, 2011); o Upon a change of control of the Company; or o In the event the Company sells all or substantially all of its assets. Upon the occurrence of any of these events, a holder of Series A Preferred Stock may require the Company to redeem all or a part of that holder's shares of Series A Preferred Stock, at a purchase price equal to the liquidation amount, as adjusted, plus accumulated and unpaid dividends. REGISTRATION RIGHTS Demand Registration The Company has agreed that if it is not eligible to use the short-form registration statement, Form S-3, it will register the resale of the securities held by the Investors upon their request, as follows: o The Company will not register the resale of securities more than two times; o The Company will not register the resale of securities more than once during any six month period; and o The aggregate offering price of the resale of securities must be at least \$10 million. However, if the Company is eligible to use the short-form registration statement, Form S-3, the Investors shall also have the right to request registration on that form two times during any one year for a "shelf" registration permitted by Rule 415 under the Securities Act. A majority of the holders of the securities originally issued to the Investors is required to request the "shelf" registration. If the Company's Board of Directors determines that a requested registration statement would result in a disclosure of information that would materially and adversely affect any proposed or pending material transaction, the Company may delay the registration. No postponement may exceed 90 days and all postponements shall not exceed 120 days in the aggregate in any 12-month period. The Company may register securities for its own account or for the account of other stockholders in a registration requested by the Investors, so long as the inclusion of additional securities does not reduce the amount of securities that may be sold by the Investors. Securities registrable under the Registration Rights Agreement include the Series A Preferred Stock, the common stock and other securities, if any, issuable on conversion of the Series A Preferred Stock, the common stock, if any, purchased by the Investors in accordance with the options granted them by our former CEO and majority stockholder, and any securities issued to the Investors in accordance with their preemptive rights. Piggy-back Registration Piggy-back registration means the rights of the holders of the registration rights to include their shares in a registration filed by the Company for its own account or in a registration the Company has filed upon the request of other stockholders. The Company has granted the Investors unlimited

piggy-back registration rights. F-24 STRAYER EDUCATION, INC. NOTES TO CONSOLIDATED FINANCIAL STATEMENTS--(CONTINUED) Expenses The Company will bear all the expenses of the registration, other than any fees and disbursements of the underwriters that are customarily borne by selling Stockholders and all underwriting discounts, commissions, and transfer taxes relating to the securities sold by the Investors.

Indemnification The Company has agreed to indemnify the Investors against any losses, including fees and expenses, which may arise out of an untrue statement or an omission of a material fact in any registration statement, other than untrue statements that were provided in writing by the Investors or omissions of material facts from statements provided in writing by the Investors for inclusion in the registration statement. Each Investor, severally and not

jointly, has agreed to indemnify the Company and any underwriters participating in the registration statement against any losses that may arise out of any untrue statement that was provided in writing by that Investor or omissions of material facts from statements provided in writing by that Investor for inclusion in the registration statement. The amounts owed by the Investors under this indemnification obligation shall not exceed the proceeds the Investors received from the sale of securities under the registration statement. Transferability of Registration Rights The

Investors may freely transfer the registration rights to any of their affiliates. The Investors may also transfer the registration rights to any other person to whom the Investors or their affiliates transfer shares of Series A Preferred Stock or the common stock into which the Series A Preferred Stock converts having any aggregate purchase price or liquidation amount of at least \$10 million. OTHER TERMS OF SERIES A PREFERRED STOCK Corporate

Governance Pursuant to the terms of the Series A Preferred Stock, the holders of the Series A Preferred Stock are initially entitled to elect one-half of the Company's Board of Directors. The percentage of the Company's Board of Directors that the holders of the Series A Preferred Stock may elect decreases as the number of shares of Series A Preferred Stock outstanding decreases in the following manner: % OF SERIES A PREFERRED STOCK

ORIGINALLY ISSUED STILL % OR NUMBER OF OUTSTANDING DIRECTORS -----

----- 90% and Above 50% 50% to 89.9% 40% 25% to 49.9% 25% 10% to 24.9% At Least 1 member 0% to 9.9% none In addition, in the event that the Company fails to pay the redemption price for the Series A Preferred

Stock in connection with a proper redemption request in an amount at least equal to \$30 million, the holders of the Series A Preferred Stock will be able to elect a majority of the Company's Board of Directors until the redemption price is paid. Any significant changes in the Company's ownership and control could require U.S. Department of Education or other regulatory agency approval. F-25 STRAYER EDUCATION, INC. NOTES TO CONSOLIDATED

FINANCIAL STATEMENTS--(CONTINUED) In addition to any other Board of Directors or stockholder action that may be required, the approval of a majority of the directors elected by the holders of the Series A Preferred Stock will be required in order for the Company to take certain actions, including: o Any authorization or issuance, reclassification, repurchase, redemption, or other acquisition of any of our equity securities or any other securities exercisable for or convertible into any equity securities; o Any issuance or incurrence of indebtedness that would

result in the Company having in excess of an aggregate of \$25 million of indebtedness outstanding; o Any liquidation, dissolution, winding up, or reorganization of the Company; o Any transaction or series of related transactions involving a change of control or the sale of all or substantially all of the Company's equity or assets, or any acquisition, disposition, or other business combination involving consideration in excess of \$20 million; o Any amendment to the Company's charter or bylaws; and o The removal or replacement of, or the establishment of the

level or form of compensation payable to, the Company's chief executive officer, chief operating officer or chief financial officer. Preemptive Rights The holders of the Series A Preferred Stock have the right to purchase their pro rata portion of new equity securities the Company issues, other than certain exempt issuances. 7. LONG-TERM LIABILITY In conjunction with the opening of new campuses in Chesapeake, VA and Newport News, VA during

2001, the Company was reimbursed by the lessors for improvements made to the leased properties in the amount of \$763,000. In accordance with Financial Accounting Standards Board Technical Bulletin No. 88-1, these reimbursements were capitalized as leasehold improvements and a long-term liability established. The leasehold improvements and the long-term liability will be amortized on a straight-line basis over the corresponding lease terms, which range from 5 to 10 years. 8. OTHER EMPLOYEE BENEFIT PLANS The Company has a 401(k) profit sharing trust covering all eligible employees of the Company. Participants may defer a percentage of their salaries or make

contributions up to 10% of their base compensation. Employee contributions are voluntary. Discretionary contributions were made by the Company in the fourth quarter of each year, and were \$186,000, \$195,000 and \$205,000 for the years ended December 31, 1999, 2000 and 2001, respectively. In May 1998, the Company adopted

the Strayer Education, Inc. Employee Stock Purchase Plan (ESPP). Under the ESPP, eligible employees may purchase shares of the Company's common stock, subject to certain limitations, at 90 percent of its market value at the date of purchase. Purchases are limited to 10 percent of an employee's eligible compensation. The aggregate number of shares of common stock that may be made available for purchase by participating employees under the ESPP is 2,500,000 shares. During 1999, 2000 and 2001, 11,962, 10,297 and 6,540 shares, respectively, were purchased in the open market for employees, at average prices of \$26.13, \$23.93 and \$42.44 per share, respectively. F-26 STRAYER EDUCATION, INC. NOTES TO CONSOLIDATED FINANCIAL STATEMENTS--(CONTINUED) 9.

COMMITMENTS AND CONTINGENCIES The University participates in various federal student financial assistance programs which are subject to audit. Management believes that the potential effects of audit adjustments, if any, for the periods currently under audit will not have a material adverse effect on the Company's financial position, results of operations or cash flows. As of December 31, 2001 the Company had long-term operating leases for fourteen of its campuses and other administrative locations. Rent expense was \$4,227,000, \$4,770,000 and \$5,533,000 for the years ended December 31, 1999, 2000 and 2001, respectively. Prior to the purchase of three of these campuses in February 2002, the Washington D.C. campus and three of the Virginia campuses were leased from entities affiliated with the Company's former CEO and majority stockholder. Rent paid to these entities was \$2,040,000, \$1,836,600 and \$1,946,000 for the years ended December 31, 1999, 2000 and 2001, respectively. During 1999, the Company acquired its Takoma Park Campus for \$1,024,000 and in February 2002, the Company acquired the Washington D.C., Manassas, VA and Woodbridge, VA campuses for an aggregate of \$12,000,000 from entities affiliated with the Company's former CEO and majority stockholder. Accordingly, only one lease remains outstanding with affiliates of the Company's former CEO and majority stockholder. This lease involved total payments of \$320,000 in 2001 and expires in 2006. The rents on the Company's leases are subject to annual increases based on a stipulated price index. The minimum rental commitments for the Company as of December 31, 2001, excluding commitments related to the three campuses purchased from the Company's former CEO and majority stockholder in February 2002, are as follows (in thousands):

TOTAL AMOUNT PAYABLE TOTAL TO RELATED PARTIES	2002	2003	2004	2005	2006
\$ 4,780	\$ 338	4,339	348	3,324	358
2,241	156	9,849	--	--	--

Thereafter ..... \$27,533 \$1,569 ===== In addition, the Company has a credit facility from a bank in the amount of \$10.0 million. Interest on any borrowings under the facility will accrue at an annual rate not to exceed 0.75% above the London Interbank Offered Rate. The Company does not pay a fee for this facility. There have been no borrowings by the Company under the credit facility. On October 2, 1998, the Board of Directors authorized the Company to repurchase up to five percent of its outstanding common stock at market prices, not to exceed a total cost of \$24 million. The timing of stock purchases are made at the discretion of management. The Company repurchased 630,429 shares and 62,700 shares during the years ended December 31, 1999 and 2000, respectively. During the year 2000, the Board authorized an additional stock repurchase program in an amount of up to \$40,000,000. The Company suspended the repurchase plan from February to September of the year 2000 and again in December of 2000. No shares were repurchased during 2001. No share repurchase plan is currently authorized by the Board of Directors. F-27 STRAYER EDUCATION, INC. NOTES TO CONSOLIDATED FINANCIAL STATEMENTS--(CONTINUED) 10. INCOME TAXES

The income tax provision for the years ended December 31, 1999, 2000 and 2001 is summarized below (in thousands).

1999	2000	2001	
Current: Federal	\$10,453	\$11,637	\$12,123
State	2,295	2,484	2,222
Deferred: Federal	(203)	(132)	129
State	(45)	(15)	15
	(248)	(147)	144
	\$12,500	\$13,974	\$14,489

The tax effects of the principal temporary differences that give rise to the Company's deferred tax assets (liabilities) are as follows as of December 31, 2000 and 2001 (in thousands):

2000	2001
Tuition receivable and student loans	\$ 372 \$387
Property and equipment	283 140
Accrued vacation payable	50 34
Unrealized gains on marketable securities	(258) --
Net deferred tax asset	\$ 447 \$561

A reconciliation between the Company's statutory tax rate and the effective tax rate for the years ended December 31, 1999, 2000, and 2001 is as follows:

1999	2000	2001
Statutory federal rate	35%	35%
State income taxes, net of federal benefits	5%	5%
Effect of prior year accruals	4%	4%
	(1%)	(1%)
Effective tax rate	39%	39%

Cash payments for income taxes were \$12,674,000 in 1999, \$13,628,000 in 2000 and \$11,649,000 in 2001. F-28 STRAYER EDUCATION, INC. NOTES TO CONSOLIDATED

FINANCIAL STATEMENTS--(CONTINUED) 11. SUMMARIZED QUARTERLY FINANCIAL DATA

(UNAUDITED) Quarterly financial information for 2000 and 2001 is as follows (in thousands except per share data):

QUARTER	2000				2001			
	FIRST	SECOND	THIRD	FOURTH	FIRST	SECOND	THIRD	FOURTH
Total revenues	\$ 21,128	\$ 20,325	\$ 14,691	\$ 22,070	\$ 23,644	\$ 23,826	\$ 18,222	\$ 27,184
Income from operations	10,423	8,432	2,192	9,880	11,459	9,262	2,744	10,042
Net income	6,810	5,878	2,126	6,895	8,137	6,248	2,008	6,416
Net income per share:								
Basic	\$ 0.45	\$ 0.38	\$ 0.14	\$ 0.45	\$ 0.53	\$ 0.45	\$ 0.00	\$ 0.52
Diluted	\$ 0.44	\$ 0.38	\$ 0.14	\$ 0.45	\$ 0.53	\$ 0.42	\$ 0.14	\$ 0.45

F-29 PART II INFORMATION NOT REQUIRED IN PROSPECTUS ITEM 14. OTHER EXPENSES OF ISSUANCE AND DISTRIBUTION. The following table sets forth the fees and expenses payable by the registrant in connection with this offering, other than underwriting discounts and commissions. All the amounts shown are estimates, except the SEC registration fee: SEC registration fee \$ 11,933 NASD fee \$ 13,500 Printing fees \$ 25,000\* Legal fees and expenses \$250,000\* Accounting fees and expenses \$ 75,000\* Miscellaneous fees and expenses \$124,567\* Total \$500,000\* ===== \* Estimated. ITEM 15.

INDEMNIFICATION OF DIRECTORS AND OFFICERS. Strayer's charter provides that, to the fullest extent that limitations on the liability of directors and officers are permitted by the Maryland General Corporation Law, no director or officer of Strayer shall have any liability to Strayer or its stockholders for monetary damages. The Maryland General Corporation Law provides that a corporation's charter may include a provision which restricts or limits the liability of its directors or officers to the corporation or its stockholders for money damages except: (1) to the extent that it is proved that the person actually received an improper benefit or profit in money, property or services for the amount of the benefit or profit in money, property or services actually received, or (2) to the extent that a judgment or other final adjudication adverse to the person is entered in a proceeding based on a finding in the proceeding that the person's action, or failure to act, was the result of active and deliberate dishonesty and was material to the cause of action adjudicated in the proceeding. Strayer's charter and bylaws provide that it shall indemnify and advance expenses to its currently acting and former directors and officers to the fullest extent permitted by the Maryland General Corporation Law and that Strayer shall indemnify and advance expenses to its officers to the same extent as its directors and to such further extent as is consistent with law. Strayer's charter and bylaws provide that it will indemnify its directors and officers and may indemnify employees or agents of Strayer to the fullest extent permitted by law against liabilities and expenses incurred in connection with litigation in which they may be involved because of their offices with Strayer. In addition, Strayer's charter provides that its directors and officers will not be liable to stockholders for money damages, except in limited instances. However, nothing in Strayer's charter or bylaws protects or indemnifies a director, officer, employee or agent against any liability to which he would otherwise be subject by reason of willful misfeasance, bad faith, gross negligence or reckless disregard of the duties involved in the conduct of his office. To the extent that a director has been successful in defense of any proceeding, the Maryland General Corporation Law provides that he shall be indemnified against reasonable expenses incurred in connection therewith. The form of underwriting agreement, filed as Exhibit 1.1 hereto, contains provisions by which the underwriters agree to indemnify the registrant and each officer, director and controlling person of the registrant against certain liabilities. II-1

ITEM 16. EXHIBIT INDEX. EXHIBIT NUMBER DESCRIPTION OF EXHIBITS  
 ----- 1.1\* Underwriting Agreement 4.1 Amended Articles of Incorporation of Strayer Education, Inc. (incorporated by reference to Strayer Education, Inc.'s Annual Report on Form 10-K for the year ended December 31, 2001 (File No. 000-21039)) 5.1\* Opinion of Venable, Baetjer and Howard, LLP 23.1\* Consent of PricewaterhouseCoopers LLP 23.2\* Consent of Venable, Baetjer and Howard, LLP (included in Exhibit 5.1) 24.1+ Power of Attorney (included on the signature pages) ----- \* Filed herewith. + Previously filed. ITEM 17.

UNDERTAKINGS. The undersigned registrant hereby undertakes: o For purposes of determining any liability under the Securities Act of 1933, each filing of the registrant's annual report pursuant to section 13(a) or section 15(d) of the Securities Exchange Act of 1934 (and, where applicable, each filing of an employee benefit plan's annual report pursuant to section 15(d) of the Securities Exchange Act of 1934) that is incorporated by reference in the registration statement shall be deemed to be a new registration statement relating to the securities offered therein, and the offering

of such securities at that time shall be deemed to be the initial bona fide offering thereof. o Insofar as indemnification for liabilities arising under the Securities Act of 1933 may be permitted to directors, officers and controlling persons of the registrant pursuant to the foregoing provisions, or otherwise, the registrant has been advised that in the opinion of the Securities and Exchange Commission such indemnification is against public policy as expressed in the Act and is, therefore, unenforceable. In the event that a claim for indemnification against such liabilities (other than the payment by the registrant of expenses incurred or paid by a director, officer or controlling person of the registrant in the successful defense of any action, suit or proceeding) is asserted by such director, officer or controlling person in connection with the securities being registered, the registrant will, unless in the opinion of its counsel the matter has been settled by controlling precedent, submit to a court of appropriate jurisdiction the question whether such indemnification by it is against public policy as expressed in the Act and will be governed by the final adjudication of such issue. o For purposes of determining any liability under the Securities Act of 1933, the information omitted from the form of prospectus filed as part of this registration statement in reliance upon Rule 430A and contained in a form of prospectus filed by the registrant pursuant to Rule 424(b)(1) or (4) or 497(h) under the Securities Act shall be deemed to be part of this registration statement as of the time it was declared effective. o For the purpose of determining any liability under the Securities Act of 1933, each post-effective amendment that contains a form of prospectus shall be deemed to be a new registration statement relating to the securities offered therein, and the offering of such securities at that time shall be deemed to be the initial bona fide offering thereof. II-2 SIGNATURES Pursuant to the requirements of the Securities Act, the registrant certifies that it has reasonable grounds to believe that it meets all the requirements for filing on Form S-3 and has duly caused this Amendment No. 1 to Registration Statement to be signed on its behalf by the undersigned, thereunto duly authorized, in the City of Arlington, State of Virginia, on the 1st day of November, 2002. STRAYER EDUCATION, INC. By: /s/ Robert S. Silberman ----- Name: Robert S. Silberman Title: Chief Executive Officer Pursuant to the requirements of the Securities Act of 1933, this Amendment No. 1 to Registration Statement has been signed by the following persons on behalf of Strayer Education, Inc. in the capacities indicated on the 1st day of November, 2002. SIGNATURE TITLE ----- \* Chairman of the Board ----- Steven B. Klinsky /s/ Robert S. Silberman Chief Executive Officer, President and ----- Director (Principal Executive Officer) Robert S. Silberman /s/ Mark C. Brown Senior Vice President and Chief ----- Financial Officer (Principal Financial Mark C. Brown and Accounting Officer) \* Director ----- Charles Ayres \* Director ----- Dr. Charlotte F. Beason \* Director ----- William E. Brock \* Director ----- David A. Coulter II-3 SIGNATURE TITLE ----- \* Director ----- Gary Gensler \* Director ----- Robert R. Grusky \* Director ----- Todd A. Milano \* Director ----- G. Thomas Waite, III \* Director ----- J. David Wargo \*By: /s/ Steven A. McArthur ----- Steven A. McArthur Attorney-in-Fact II-4