MATTHEWS INTERNATIONAL CORP
Form 10-Q
April 30, 2007

UNITED STATES SECURITIES AND EXCHANGE COMMISSION
Washington, D. C. 20549

Form 10-Q

x Quarterly report under Section 13 or 15(d) of the Securities Exchange Act of 1934

For The Quarterly Period Ended March 31, 2007

Commission File No. 0-9115

MATTHEWS INTERNATIONAL CORPORATION
(Exact Name of registrant as specified in its charter)

PENNSYLVANIA (State or other jurisdiction of Incorporation or organization)	25-0644320 (I.R.S. Employer Identification No.)
TWO NORTHSHORE CENTER, PITTSBURGH, PA (Address of principal executive offices)	15212-5851 (Zip Code)
Registrant's telephone number, including area code	(412) 442-8200

NOT APPLICABLE
(Former name, former address and former fiscal year, if changed since last report)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15 (d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

Yes x No o

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, or a non-accelerated filer. See definition of “accelerated filer” and “large accelerated filer” in Rule 12b-2 of the Exchange Act. Check one:

Large accelerated filer x	Accelerated filer o	Non-accelerated filer o

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).

Yes o No x

As of March 31, 2007, shares of common stock outstanding were:

Class A Common Stock 31,594,913 shares

PART I - FINANCIAL INFORMATION
MATTHEWS INTERNATIONAL CORPORATION AND SUBSIDIARIES
CONDENSED CONSOLIDATED BALANCE SHEETS
(Dollar amounts in thousands, except per share data)

		March 31, 2007 (unaudited)			September 30, 2006	
ASSETS						
Current assets:						
Cash and cash equivalents		$	43,510		$	29,720
Short-term investments			91			92
Accounts receivable, net			119,212			121,750
Inventories			93,523			85,415
Deferred income taxes			1,680			1,682
Other current assets			6,890			4,184
Total current assets			264,906			242,843
Investments			11,356			11,492
Property, plant and equipment: Cost	208,353			202,346		
Less accumulated depreciation	(120,475)			(114,247)		
			87,878			88,099
Deferred income taxes and other assets			31,673			30,566
Goodwill			305,078			298,125
Other intangible assets, net			45,303			44,965
Total assets		$	746,194		$	716,090
LIABILITIES AND SHAREHOLDERS' EQUITY						
Current liabilities:						
Long-term debt, current maturities		$	25,544		$	28,451
Accounts payable			24,815			26,925
Accrued compensation			29,972			33,517
Accrued income taxes			8,173			9,230
Other current liabilities			30,588			39,086
Total current liabilities			119,092			137,209
Long-term debt			134,640			120,289
Pension and postretirement benefits			37,806			35,142
Deferred income taxes			10,390			9,942
Environmental reserve			8,502			9,028
Other liabilities and deferred revenue			12,878			12,055
Shareholders' equity:						
Common stock	36,334			36,334		
Additional paid-in capital	37,261			33,953		
Retained earnings	439,189			410,203		

Accumulated other comprehensive income	10,719			4,386		
Treasury stock, at cost	(100,617)			(92,451)		
			422,886			392,425
Total liabilities and shareholders' equity		$	746,194		$	716,090

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

MATTHEWS INTERNATIONAL CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF INCOME (UNAUDITED)
(Dollar amounts in thousands, except per share data)

	Three Months Ended March 31,		Six Months Ended March 31,	
	2007	2006	2007	2006
Sales	$ 202,979	$ 181,068	$ 378,403	$ 351,177
Cost of sales	(128,772)	(114,121)	(239,262)	(223,033)
Gross profit	74,207	66,947	139,141	128,144
Selling and administrative expenses	(42,562)	(37,886)	(83,312)	(76,665)
Operating profit	31,645	29,061	55,829	51,479
Investment income	439	244	850	571
Interest expense	(1,924)	(1,576)	(3,740)	(3,016)
Other income (deductions), net	79	(18)	210	(51)
Minority interest	(591)	(704)	(1,111)	(1,292)
Income before income taxes	29,648	27,007	52,038	47,691
Income taxes	(11,147)	(10,155)	(19,566)	(17,932)
Net income	$ 18,501	$ 16,852	$ 32,472	$ 29,759
Earnings per share:				
Basic	$.58	$.53	$1.02	$.93
Diluted	$.58	$.52	$1.02	$.92

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

MATTHEWS INTERNATIONAL CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS (UNAUDITED)
(Dollar amounts in thousands, except per share data)

	Six Months Ended March 31, 2007	Six Months Ended March 31, 2006
Cash flows from operating activities:		
Net income	$ 32,472	$ 29,759
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	10,274	10,706
Net (gain) loss on sale of assets	(1,525)	67
Minority interest	1,111	1,292
Stock-based compensation expense	1,720	2,448
Change in deferred taxes	331	(695)
Changes in working capital items	(19,333)	(22,342)
Increase in other assets	(963)	(271)
Increase (decrease) in other liabilities	71	(253)
Increase in pension and postretirement benefits	2,664	2,429
Net cash provided by operating activities	26,822	23,140
Cash flows from investing activities:		
Capital expenditures	(10,679)	(7,488)
Proceeds from sale of assets	3,764	90
Acquisitions, net of cash acquired	(8,361)	(29,900)
Purchases of investments	(596)	(104)
Proceeds from disposition of investments	134	7
Net cash used in investing activities	(15,738)	(37,395)
Cash flows from financing activities:		
Proceeds from long-term debt	32,343	38,299
Payments on long-term debt	(22,184)	(21,019)
Proceeds from the sale of treasury stock	5,780	1,421
Purchases of treasury stock	(11,901)	(36)
Tax benefit of exercised stock options	1,469	506
Dividends	(3,486)	(3,210)
Distributions to minority interests	(895)	(3,910)
Net cash provided by financing activities	1,126	12,051
Effect of exchange rate changes on cash	1,580	(711)
Net increase (decrease) in cash and cash equivalents	$ 13,790	$ (2,915)

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

MATTHEWS INTERNATIONAL CORPORATION AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
March 31, 2007
(Dollar amounts in thousands, except per share data)

Note 1. Nature of Operations

Matthews International Corporation ("Matthews" or the "Company"), founded in 1850 and incorporated in Pennsylvania in 1902, is a designer, manufacturer and marketer principally of memorialization products and brand solutions. Memorialization products consist primarily of bronze memorials and other memorialization products, caskets and cremation equipment for the cemetery and funeral home industries. Brand solutions include graphics imaging products and services, marking products, and merchandising solutions. The Company's products and operations are comprised of six business segments: Bronze, Casket, Cremation, Graphics Imaging, Marking Products and Merchandising Solutions. The Bronze segment is a leading manufacturer of cast bronze memorials and other memorialization products, cast and etched architectural products and is a leading builder of mausoleums in the United States. The Casket segment is a leading casket manufacturer in the United States and produces a wide variety of wood and metal caskets. The Cremation segment is a leading designer and manufacturer of cremation equipment and cremation caskets primarily in North America. The Graphics Imaging segment manufactures and provides brand solutions, printing plates, pre-press services and imaging services for the primary packaging and corrugated industries. The Marking Products segment designs, manufactures and distributes a wide range of marking and coding equipment and consumables, and industrial automation products for identifying, tracking and conveying various consumer and industrial products, components and packaging containers. The Merchandising Solutions segment designs and manufactures merchandising displays and systems and provides creative merchandising and marketing solutions services.

The Company has manufacturing and marketing facilities in the United States, Canada, Mexico, Australia, and Europe.

Note 2. Basis of Presentation

The accompanying consolidated financial statements have been prepared in accordance with generally accepted accounting principles for interim financial information for commercial and industrial companies and the instructions to Form 10-Q and Rule 10-01 of Regulation S-X. Accordingly, they do not include all of the information and footnotes required by generally accepted accounting principles for complete financial statements. In the opinion of management, all adjustments (consisting of normal recurring accruals) considered necessary for fair presentation have been included. Operating results for the three and six months ended March 31, 2007 are not necessarily indicative of the results that may be expected for the fiscal year ending September 30, 2007. For further information, refer to the consolidated financial statements and footnotes thereto included in the Company's Annual Report on Form 10-K for the year ended September 30, 2006. The consolidated financial statements include all domestic and foreign subsidiaries in which the Company maintains an ownership interest and has operating control. All intercompany accounts and transactions have been eliminated.

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Reclassifications and restatements:

Certain reclassifications have been made in the Consolidated Statements of Cash Flows for prior periods to conform to the current period presentation.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS, Continued
(Dollar amounts in thousands, except per share data)

Note 3. Share-Based Payments

The Company has a stock incentive plan that provides for grants of incentive stock options, non-statutory stock options and restricted share awards in an aggregate number not to exceed 15% of the outstanding shares of the Company's common stock (4,739,237 at March 31, 2007). The plan is administered by the Compensation Committee of the Board of Directors. The option price for each stock option that may be granted under the plan may not be less than the fair market value of the Company's common stock on the date of grant. Outstanding stock options are exercisable in one-third increments upon the attainment of 10%, 33% and 60% appreciation in the market value of the Company's Class A Common Stock. In addition, options generally vest in one-third increments after three, four and five years, respectively, from the grant date (but, in any event, not until the attainment of the market value thresholds). The options expire on the earlier of ten years from the date of grant, upon employment termination, or within specified time limits following voluntary employment termination (with the consent of the Company), retirement or death. The Company generally settles employee stock option exercises with treasury shares.

Effective October 1, 2005, the Company adopted Statement of Financial Accounting Standards (SFAS) No. 123 (revised 2004), "Share-Based Payment," ("SFAS 123(R)"), using the modified retrospective method. Accordingly, stock-based compensation cost is measured at grant date, based on the fair value of the award, and is recognized as expense over the employee requisite service period.

For the three-month periods ended March 31, 2007 and 2006, stock-based compensation cost totaled $848 and $1,087, respectively. For the six-month periods ended March 31, 2007 and 2006, stock-based compensation cost totaled $1,720 and $2,448, respectively. The associated future income tax benefit recognized was $331 and $424 for the three-month periods ended March 31, 2007 and 2006, respectively, and was $671 and $955 for the six-month periods ended March 31, 2007 and 2006, respectively.

The amount of cash received from the exercise of stock options was $3,659 and $1,095 for the three-month periods ended March 31, 2007 and 2006, respectively and $5,780 and $1,421 for the six-month periods ended March 31, 2007 and 2006, respectively. In connection with these exercises, the tax benefits realized by the Company were $1,335 and $429 for the three-month periods ended March 31, 2007 and 2006, respectively, and $2,232 and $710 for the six-month periods ended March 31, 2007 and 2006, respectively.

The transactions for shares under options for the six-months ended March 31, 2007 were as follows:

	Shares	Weighted-average exercise price	Weighted-average remaining contractual term	Aggregate intrinsic value
Outstanding, September 30, 2006	2,529,451	$ 28.75		
Granted	392,650	40.59		
Exercised	(287,177)	19.85		
Expired or forfeited	(16,316)	31.17		
Outstanding, March 31, 2007	2,618,608	$ 31.49	7.2	$ 24,119
Exercisable, March 31, 2007	822,143	$ 23.49	5.3	$ 14,145
Shares reserved for future options	2,120,629			

The weighted-average grant date fair value of options granted for the six-month periods ended March 31, 2007 and 2006 was $12.29 and $9.47, respectively. The fair value of shares earned was $1,481 and $915, during the three-month periods ended March 31, 2007 and 2006, respectively, and $3,301 and $3,594 during the six-month periods ended March 31, 2007 and 2006, respectively. The intrinsic value of options (which is the amount by which the stock price exceeded the exercise price of the options on the date of exercise) exercised during the six-month periods ended March 31, 2007 and 2006 was $5,742 and $1,887, respectively.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS, Continued
(Dollar amounts in thousands, except per share data)

Note 3. Share-Based Payments (continued)

The transactions for non-vested shares for the six months ended March 31, 2007 were as follows:

Non-vested shares	Shares	Weighted-average grant-date fair value
Non-vested at September 30, 2006	1,814,878	$ 9.84
Granted	392,650	12.29
Vested	(395,163)	8.35
Expired or forfeited	(15,900)	9.63
Non-vested at March 31, 2007	1,796,465	$ 10.70

As of March 31, 2007 the total unrecognized compensation cost related to non-vested stock options was approximately $7,157. This cost is expected to be recognized over a weighted-average period of 3.9 years in accordance with the vesting periods of the options.

As of October 1, 2005, the fair value of each option grant is estimated on the date of grant using a binomial lattice valuation model. The following table indicates the assumptions used in estimating fair value for the six-month periods ended March 31, 2007 and 2006.

	Six Months Ended March 31, 2007	Six Months Ended March 31, 2006
Expected volatility	24.0%	24.0%
Dividend yield	.6%	.6%
Average risk free interest rate	4.7%	4.4%
Average expected term (years)	6.3	5.5

The risk free interest rate is based on United States Treasury yields at the date of grant. The dividend yield is based on the most recent dividend payment and average stock price over the 12 months prior to the grant date. Expected volatilities are based on the historical volatility of the Company's stock price. The expected term represents an estimate of the period of time options are expected to remain outstanding. Separate employee groups and option characteristics are considered separately for valuation purposes.

In the first quarter of fiscal 2007, 15,209 shares of restricted stock were granted to certain employees. The shares generally vest based upon certain service and performance criteria. The unrecognized compensation cost related to the unvested shares was approximately $361 at March 31, 2007.

Under the Company's Director Fee Plan, directors who are not also officers of the Company each receive, as an annual retainer fee, either cash or shares of the Company's Class A Common Stock equivalent to $30. Where the annual retainer fee is provided in shares, each director may elect to be paid these shares on a current basis or have such shares credited to a deferred stock account as phantom stock, with such shares to be paid to the director subsequent to leaving the Board. Directors may also elect to receive the common stock equivalent of meeting fees credited to a deferred stock account. The value of deferred shares is recorded in other liabilities. A total of 49,569 shares had been deferred under the Director Fee Plan at March 31, 2007. Directors who are not also officers of the Company each receive an annual stock-based grant (non-statutory stock options, stock appreciation rights and/or restricted shares) with a value of $50 in fiscal 2007 and $40 in fiscal 2006. A total of 22,300 stock options have been granted under the plan, all of which were outstanding and unvested at March 31, 2007. Additionally, 13,200 shares of restricted stock have been granted under the plan, all of which are unvested at March 31, 2007. A total of 500,000 shares have been authorized to be issued under the Director Fee Plan.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS, Continued
(Dollar amounts in thousands, except per share data)

Note 4. Income Taxes

Income tax provisions for the Company's interim periods are based on the effective income tax rate expected to be applicable for the full year. The difference between the estimated effective tax rate for fiscal 2007 of 37.6% and the Federal statutory rate of 35.0% primarily reflects the impact of state and foreign income taxes.

Note 5. Earnings Per Share

	Three Months Ended March 31,		Six Months Ended March 31,	
	2007	2006	2007	2006
Net income	$ 18,501	$ 16,852	$ 32,472	$ 29,759
Weighted-average common shares outstanding	31,733,347	32,087,041	31,699,731	32,063,349
Dilutive securities, primarily stock options	135,651	206,038	184,776	263,975
Diluted weighted-average common shares outstanding	31,868,998	32,293,079	31,884,507	32,327,324
Basic earnings per share	$.58	$.53	$1.02	$.93
Diluted earnings per share	$.58	$.52	$1.02	$.92

Note 6. Comprehensive Income

Comprehensive income consists of net income adjusted for changes, net of the related income tax effect, in cumulative foreign currency translation, the fair value of derivatives, unrealized investment gains and losses and minimum pension liability. For the three-months ended March 31, 2007 and 2006, comprehensive income was $20,091 and $18,717, respectively. For the six-months ended March 31, 2007 and 2006, comprehensive income was $38,805 and $29,306, respectively.

Note 7. Inventories:

Inventories consisted of the following:

	March 31, 2007	September 30, 2006
Materials and finished goods	$ 86,030	$ 79,715
Labor and overhead in process	7,493	5,700
	$ 93,523	$ 85,415

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS, Continued
(Dollar amounts in thousands, except per share data)

Note 8. Segment Information

The Company's products and operations consist of two principal businesses that are comprised of three operating segments each, as described under Nature of Operations (Note 1): Memorialization Products (Bronze, Casket, Cremation) and Brand Solutions (Graphics Imaging, Marking Products, Merchandising Solutions). Management evaluates segment performance based on operating profit (before income taxes) and does not allocate non-operating items such as investment income, interest expense, other income (deductions), net and minority interest.

Information about the Company's segments follows:

		Three Months Ended March 31,	Six Months Ended March 31, IGN="bottom" STYLE=" BORDER-BOTTOM:1px solid #000000">	60%
25	50%			
Lower than 25	0%			

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To the extent the performance percentile is in between the percentiles listed in the table above, the applicable award payout percentage will be interpolated. For example, if the performance percentile is 55, then the award payout percentage would be 120%. Notwithstanding the foregoing table, if the Company s TSR is less than zero, then the award payout percentage will be determined pursuant to the table set forth above, but in such case, the award payout percentage shall not exceed 100%.

The company peer group used for the relative TSR measurement under the performance units has varied slightly from year to year. The following companies are included in the 2015 performance unit company peer group: American Public Education, Inc., Apollo Education Group, Inc., Bridgepoint Education, Inc., Capella Education Company, Inc., DeVry, Inc. (now known as Adtalem Global Education Inc.), ITT Educational Services Inc., Graham Holdings Company, Grand Canyon Education Inc., Learning Tree International Inc., Lincoln Education Services Corporation, National American University Holdings Inc., Strayer Education Inc., and Universal Technical Institute Inc. For the 2016 performance unit peer group, Learning Tree International Inc. was removed due to its delisting from a national securities exchange and K-12 Inc. was added as they are also in the for-profit education sector. For the 2017 performance unit peer group, ITT Educational Services Inc. and Apollo Education Group, Inc. were removed due to their delisting from a national securities exchange. The performance unit peer groups were established to include publicly traded education industry peers, and are different from the comparison group used for compensation determinations because the compensation comparison group is designed to include companies from a broader spectrum of industries from which we may draw talent or which may recruit talent from the Company. In 2018, the Company replaced the performance unit awards with performance-based restricted stock units. This change for 2018 is based on the evolving industry landscape, which has resulted in fewer publicly traded education industry peers. See Section VI below for more information.

The 2015 performance units vested on December 31, 2017. The relative TSR was calculated using the following companies: American Public Education, Inc., Bridgepoint Education, Inc., Capella Education Company, Inc., DeVry, Inc. (now known as Adtalem Global Education Inc.), Grand Canyon Education Inc., Graham Holdings Company, Lincoln Education Services Corporation, National American University Holdings Inc., Strayer Education Inc., and Universal Technical Institute Inc. Apollo Education Group, Inc., ITT Educational Services Inc. and Learning Tree International Inc. were removed from the calculation due to their delisting from a national securities exchange. For the three year period ending on December 31, 2017, CEC s TSR is approximately 106% and its performance percentile when compared to the peer companies is 100%, which results in a 200% payout. The payout amounts to named executive officers for the 2015 performance units are set forth in the table below. No other named executive officers received a 2015 performance unit which vested.

Named Executive Officer	***2015 Performance Unit Grant ($ Target Value of Cash Award 000 s)***	***2015 Performance Unit Payout (000 s)***
Todd S. Nelson	$ 1,000.0	$ 2,000.0
Ashish R. Ghia	$ 42.4	$ 84.8
Jeffrey D. Ayers	$ 237.5	$ 475.0
Andrew H. Hurst	$ 128.0	$ 256.0

2016 Ownership Equity Awards. In 2016, to support the transformation of the Company s business, an additional one-time performance-based long-term incentive award was made to approximately 70 senior level employees in Corporate and University Group roles. These awards, referred to as Ownership Equity Awards (OEA), were designed to build a culture of ownership, to put focus on achieving the Company s strategic plan which will support student outcomes and create stockholder value, and to encourage retention of talent.

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The OEA awards made to executive officers and other senior leaders are performance-based restricted stock units settled in stock which are subject to defined adjusted EBITDA performance measures. These performance-based restricted stock units vest as follows:

20% on March 14, 2017, subject to achievement of OEA EBITDA (see definition below) for 2016 equal to or greater than targeted 2016 OEA EBITDA

20% on March 14, 2018, subject to achievement of OEA EBITDA for each of 2016 and 2017 equal to or greater than targeted 2016 OEA EBITDA

30% on March 14, 2018, subject to achievement of OEA EBITDA for 2017 equal to or greater than targeted 2017 OEA EBITDA

30% on March 14, 2019, subject to achievement of OEA EBITDA for each of 2017 and 2018 equal to or greater than targeted 2017 OEA EBITDA

The Committee determined to use an adjusted EBITDA performance measure for the 2016 OEA awards in addition to the AIP because it is a good indicator of a company s operating performance and focuses participants on key drivers of the organization s future direction and financial achievement, and because of the difficulty in establishing alternative multi-year performance measures given industry conditions and the Company s ongoing business transformation. Targeted OEA EBITDA for 2016 and 2017 were established at the time the OEA awards were made. The Committee approved management s recommendations for the award amounts which varied based on the relevant employee s opportunity to impact the business, except that the Committee determined Mr. Nelson s award. An aggregate of 1,094,400 restricted stock units were issued in the OEA awards.

In the first quarter of 2017, the Committee reviewed and certified the Company s 2016 operating results and performance against the established 2016 OEA EBITDA performance target and accordingly determined that the OEA restricted stock units eligible to vest on March 14, 2017 would vest and not be forfeited. In the first quarter of 2018, the Committee reviewed and certified the Company s 2017 operating results and performance against the established 2016 OEA EBITDA and 2017 OEA EBITDA performance targets and accordingly determined that the OEA restricted stock units eligible to vest on March 14, 2018 would vest and not be forfeited. The chart below sets forth the targeted and actual OEA EBITDA for 2016 and 2017. The amounts reported below for 2016 and 2017 actual OEA EBITDA performance vary from reported financial results due to plan design.

Performance Measure	*Targeted 2016 OEA EBITDA*	*2016 Actual*	*Targeted 2017 OEA EBITDA*	*2017 Actual*
OEA EBITDA*	$33.5 million	$56.5 million	$45.0 million	$65.4 million

* OEA EBITDA is defined as the consolidated earnings of the Company from both continuing and discontinued operations, determined before (a) interest, taxes, depreciation, amortization and asset impairments, and (b) lease termination and unused space charges and legal settlements; and as adjusted (i.e., neutralized) for (c) the

difference between actual legal fees and the estimated amounts used in determining the applicable targeted OEA EBITDA.

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The following table summarizes the OEA awards made to our named executive officers in 2016.

Named Executive Officer	*Total 2016 OEA Restricted Stock Units Awarded (# of RSUs)*	*Vested on March 14, 2017 based on 2016 performance (# of RSUs)*	*Vested on March 14, 2018 based on 2016 & 2017 performance (# of RSUs)*	*Vested on March 14, 2018 based on 2017 performance (# of RSUs)*	*Eligible to Vest March 14, 2019 based on 2017 & 2018 performance (# of RSUs)*
Todd S. Nelson	125,000	25,000	25,000	37,500	37,500
Ashish R. Ghia	28,000	5,600	5,600	8,400	8,400
Jeffrey D. Ayers	70,000	14,000	14,000	21,000	21,000
Andrew H. Hurst	69,500	13,900	13,900	20,850	20,850
John R. Kline	69,500	13,900	13,900	20,850	20,850
Andrew J. Cederoth (1)	NA	NA	NA	NA	NA

(1) Mr. Cederoth joined the Company April 1, 2016, after the OEA restricted stock unit awards were made.

VI. 2018 Long Term Incentive Award and Other Changes

2018 Annual Award Design Change. For 2018, consistent with investors desire for significant performance-based compensation, the Committee maintained an award structure with 50% of the target dollar value of annual long-term incentive awards being subject to a performance condition, but replaced the cash-based performance units that used a relative TSR performance measure over a three-year period with performance-based restricted stock units settled in stock that are subject to defined adjusted EBITDA performance goals over a three-year period.

As a result, the 2018 long-term incentive awards made to executive officers were:

Performance-based restricted stock units weighted 50% settled in stock that cliff vest after three years only if a two-year defined adjusted EBITDA performance measure is achieved; further, the level of vesting will be 50% or 100% depending on whether adjusted EBITDA performance for the third year satisfies a minimum threshold level of performance which was established to reduce the level of vesting in the event of a fundamental decline in Company performance in the third year

Stock options weighted 30% that become exercisable in four equal annual installments

Time-based restricted stock units weighted 20% settled in stock that vest in four equal annual installments

The Committee determined to eliminate the cash-based performance units that used a relative TSR performance measure due to the reduction in the number of publicly traded education industry peers. An adjusted EBITDA performance measure provides an alternative to TSR that is a good indicator of the Company s operating performance and focuses participants on key drivers of the organization s future direction and financial achievement, which is intended to balance the desire of stockholders for performance-based compensation while providing motivation to participants. The use of stock-settled RSUs instead of a cash-based performance unit award furthers the Company s objective of continuing to build an ownership culture.

2018 Named Executive Officer Matters. Effective March 1, 2018, the Board of Directors of the Company appointed Ashish Ghia Senior Vice President and Chief Financial Officer. In connection with this appointment, the Committee approved the following revised compensation arrangements for Mr. Ghia: an increased base salary from $350,000 to $375,000 per year; an annual incentive target value of 75% of base salary; and a long term incentive target value of 125% of base salary.

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In connection with its annual review of executive officer compensation, the Committee made adjustments for several of the named executive officers for 2018. Todd Nelson s annual incentive target value was increased from 100% to 125% of base salary, and his long term incentive target value was increased from 260% to 327% of base salary. No changes were made to Mr. Nelson s base salary. The base salaries for Andrew Hurst and John Kline were increased to $378,000 and $363,000, respectively. The Committee also granted restricted stock units to certain of the named executive officers in addition to the regular 2018 annual awards received in accordance with the officers established long-term incentive award target values. Jeffrey Ayers received 7,000, Andrew Hurst received 3,000 and John Kline received 3,000. The terms of these additional restricted stock unit awards are consistent with the terms of the time-based restricted stock units awarded as part of the regular annual 2018 long-term incentive awards and were made in recognition of employee contributions and as a retention tool given the recipient s critical role within the organization.

VII. Other Compensation and Benefits

Executive officers are entitled to the same employee benefits available to all full-time employees (subject to the satisfaction of minimum service and other eligibility requirements). Such benefits include health and welfare benefits, vacation and other time off, and our 401(k) Plan, including a Company matching contribution.

Certain executive officers, including the named executive officers, also receive additional benefits and perquisites, including an executive severance plan for those executive officers designated by the Committee to participate, which is described below in Compensation Tables Potential Payments Upon a Termination or Change in Control Executive Severance Plan ; an executive relocation plan; coverage under our directors and officers insurance policy; and indemnification agreements providing indemnification of, and advancing of expenses to, our named executive officers and certain other designated employees to the fullest extent permitted by Delaware law.

When the Committee reviews our executive compensation programs to ensure a competitive position against our comparison group, it generally does not compare and review benefits and perquisites relative to the comparison group, as it considers these benefits and perquisites to be relatively immaterial when compared to the other components of our executive compensation program.

VIII. Regulatory Considerations

Federal income tax regulations and U.S. generally accepted accounting principles impact the cost and recognized expense of our executive compensation programs and influence the Committee s design of our executive compensation strategies.

Section 162(m) of the Internal Revenue Code includes potential limitations on the deductibility of compensation in excess of $1,000,000 paid to the Company s Chief Executive Officer and certain other executive officers (the Covered Executives). Based on the regulations issued by the Internal Revenue Service, we believe we have in the past (prior to 2018) generally taken the necessary actions to allow the deductibility of payments under the Key Executive AIP and with respect to stock options and performance-based shares or units granted under our programs. In contrast, time-based restricted stock or units granted under our plans generally do not qualify as performance-based compensation under Section 162(m). Therefore, the vesting of time-based restricted stock or units in some cases may result in a loss of tax deductibility of related compensation. While we view preserving tax deductibility as an important objective, we believe the primary purpose of our compensation program is to support our strategy and the long-term interests of our stockholders. In specific instances we have, and in the future we may, authorize compensation arrangements that are not fully tax deductible but which promote other important objectives of the Company and of our executive compensation program. For example, certain elements of Mr. Nelson s compensation may not comply with the Section 162(m) requirements for deductibility to the extent overall compensation exceeds $1 million.

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A critical Internal Revenue Code requirement for deductibility, in addition to the performance criteria, is that the Committee cannot increase the size of any payout or award, though it may have the discretion to decrease the size of payments and awards. The Company s annual and long-term incentive programs have been designed and administered in a manner generally intended to preserve federal income tax deductions. For example, under the Key Executive AIP, the Committee established the maximum cash incentive potentially payable to each named executive officer who was an executive officer at the time the Key Executive AIP was approved and specified other executive officers who potentially are subject to the Section 162(m) limits on deductibility. For 2017, the Committee established maximum incentives potentially payable provided the Company achieved $475 million in total Company consolidated revenue. In the first quarter of 2018, the Committee certified that the Company had met this measure. The Committee then determined the amount of the 2017 annual incentives to be paid by applying the 2017 performance metrics as described in V. 2017 Compensation Decisions Annual Incentive Award Program.

From time to time, the Committee has utilized certain types of restricted stock or units as an incentive and retention tool. These awards may utilize time-based vesting; performance-based vesting that is intended to maintain total deductibility for purposes of Section 162(m), as well as performance-based vesting that retains broader discretion and is therefore not intended to maintain deductibility for purposes of Section 162(m). Where deductibility is not completely maintained (i.e., in the case of time-vesting stock and units, as well as certain performance-vesting awards where broader discretion is maintained), such awards may not be deductible as a compensation expense to the extent the compensation is paid to any Covered Executive and amounts attributable to the potentially non-deductible stock or units awarded, plus any other non-performance-based earnings, exceed $1,000,000 for such Covered Executive in the year the shares or units vest. The Committee believes such time-based restricted stock and restricted stock unit awards and the potentially non-deductible performance-based awards further the best interests of the Company and its stockholders as the awards are an inducement to retain talented executives and align their interests with those of our stockholders.

The exemption from Section 162(m) s deduction limit for performance-based compensation has been repealed, effective for taxable years beginning after December 31, 2017, such that compensation paid to our Covered Executives in excess of $1 million will not be deductible unless it qualifies for transition relief applicable to certain arrangements in place as of November 2, 2017.

The Committee administers our incentive, equity and severance plans to comply with federal tax rules affecting nonqualified deferred compensation, other tax rules and accounting rules, such as FASB ASC Topic 718 *Compensation Stock Compensation* (which specifies the accounting treatment and cost of various equity-based awards).

IX. Corporate Governance Matters

Compensation Recovery Policy

The Board of Directors adopted a compensation recovery policy in January 2010. The policy requires, in appropriate circumstances and to the extent permitted by governing law, the reimbursement of any annual or long-term incentive payment to a Company executive officer (for purposes of the Exchange Act) if:

- The payment was predicated upon achieving certain financial results that were subsequently the subject of a material restatement of Company financial statements filed with the SEC;

The Board determines that the executive engaged in intentional misconduct that caused or substantially caused the need for the material restatement; and

A lower payment would have been made to the executive based on the restated financial results.

In each such instance, the Company will, to the extent practicable, seek to recover from the individual executive the amount by which that executive s incentive payments for the relevant periods exceeded the lower payment that would have been made based on the restated financial results.

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Risk Assessment and Mitigation

The Committee has defined certain design guidelines for our compensation programs which are intended to mitigate harmful risk taking. As part of the Committee s review of 2017 executive compensation, the Committee confirmed the effective implementation of these features and, based on the following assessment, concluded that the Company s compensation programs do not create risks that are reasonably likely to have a material adverse effect on the Company:

Base salaries are generally competitive and are not subject to performance risk;

Incentive programs are carefully balanced between annual and long-term performance and cash and equity-based compensation;

Annual cash incentive and long-term incentive programs are capped;

Annual long-term incentive awards to executive officers are generally weighted 30% to stock options that vest in four equal annual installments for alignment with stockholders, 20% to time-based restricted stock units that vest in four equal annual installments for retention incentive, and 50% to performance units that cliff vest after three years subject to a relative TSR performance measure;

Performance cycles for performance units are three years and overlap to reduce incentive to maximize performance in any one period at the expense of another;

Annual incentive performance goals are recalibrated annually to maintain directional alignment with pay and performance relative to the Company s historical performance and broader market performance and best estimates of future expectations;

The determination of annual incentive program performance results is generally subject to the Committee s discretionary assessment of the appropriate treatment of unusual, nonoperational or nonrecurring items;

Executives and directors are subject to stock ownership guidelines, which include retention ratios and holding periods;

Adoption of a policy to recoup improper payments or gains from incentive compensation paid or granted to executives; and

Prohibition of executive officers and directors hedging or pledging Company stock.

Stock Ownership Guidelines

Our Board of Directors believes that the executive officers should be active participants in improving stockholder value by maintaining a predetermined level of ownership of our common stock. The Board initially adopted stock ownership guidelines in 2005 that require certain executive officers to own stock equal in value to a multiple of salary based on the officer s position. In order to better align with market practices, the Board of Directors revised the terms of these stock ownership guidelines effective June 2, 2014. The stock ownership targets are based on the following multiples of base salary:

Designated Offers Subject to Guidelines	Multiple of Base Salary
Chief Executive Officer	6
Chief Financial Officer and Chief Operating Officer	3
Executive Vice Presidents and all other equivalent managerial-level officers directly reporting to the Chief Executive Officer	2
All other officers subject to the guidelines	1

Although there is no specific period of time by which designated officers are required to achieve the applicable ownership guideline, executive officers are expected to make continuous progress toward their

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respective ownership guideline and to comply with certain retention ratios until their respective guideline has been achieved. The CEO is to hold 75% of net shares received from equity awards until the applicable guideline has been achieved. All other designated officers are to hold 50% of net shares received from equity until the applicable guideline has been achieved. Following attainment of the applicable stock ownership guideline, designated officers and directors are required to hold 50% of net shares received from equity awards for one year from the later of the date of exercise or vesting.

Net shares for purposes of these retention ratios and holding periods are defined as those shares that remain after deducting the exercise price, if applicable in the event of the exercise of options or SARs or similar instruments, and after deducting any shares the Company withheld to satisfy tax withholding obligations.

Once a designated officer has achieved the applicable ownership guideline according to an annual valuation, they will be considered in compliance, regardless of any changes in base salary (except for promotional increases) or the price of the Company s common stock, so long as the officer continues to own at least the number of shares of CEC common stock owned in order to achieve the applicable guideline. If an officer receives a promotion which involves a change in base salary or if an officer does not continue to own at least the number of shares of CEC common stock owned in order to achieve the applicable guideline, then the applicable retention ratio will apply until the applicable ownership guideline is again achieved.

The Committee has discretion to reduce equity awards or to pay a portion of the annual cash incentive in the form of restricted stock to executive officers who are not in compliance with the retention requirements or ownership targets under the guidelines. All current designated officers and directors were in compliance with the retention ratio and holding period requirements as of the 2017 annual valuation.

Report of the Compensation Committee of the Board of Directors

The Compensation Committee of the Board of Directors is composed solely of independent directors, as that term is defined in NASDAQ s listing standards, as well as under Rule 16b-3 of the Exchange Act and Section 162(m) of the Internal Revenue Code. The Compensation Committee has reviewed and discussed the Compensation Discussion and Analysis included in this Proxy Statement with the Company s management. Based on the review and discussions referred to above, the Compensation Committee recommended to the Board of Directors that the Compensation Discussion and Analysis be included in this Proxy Statement.

COMPENSATION COMMITTEE*

Patrick W. Gross (Chairperson)

Gregory L. Jackson

Richard D. Wang

* Members listed served on the Compensation Committee during 2017 and participated in the review, discussions and recommendation with respect to the Compensation Discussion and Analysis.

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Compensation Tables

2017 Summary Compensation Table

The following table shows compensation of our principal executive officer and our principal financial officer as of December 31, 2017 and the three other most highly compensated executive officers who were serving as our executive officers as of December 31, 2017. Information regarding our former Chief Financial Officer who served during a portion of 2017 is also included. These officers are our 2017 named executive officers. Information regarding amounts in certain columns follows the table.

		Salary ($)	Bonus ($)	Stock Awards ($)	Option Awards ($)	Non-Equity Incentive Plan Compensation ($)	All Other Compensation ($)	Total ($)
Todd S. Nelson	2017	$ 770,000	$	$ 346,542	$ 520,521	$ 3,540,000	$ 9,725	$ 5,186,788
President and Chief	2016	$ 770,000	$	$ 1,257,876	$ 1,025,597	$ 1,540,000	$ 9,680	$ 4,603,153
	2015	$ 298,375	$ 1,000,000	$ 2,655,511	$ 602,283	$ 306,991	$ 35,480	$ 4,898,640
Executive Officer (1)								
Ashish R. Ghia	2017	$ 306,542	$	$ 275,539	$	$ 385,675	$ 5,400	$ 973,156
Senior Vice President and								
Chief Financial Officer (2)								
Jeffrey D. Ayers	2017	$ 387,600	$	$ 82,303	$ 123,617	$ 969,000	$ 5,400	$ 1,567,920
Senior Vice President, General	2016	$ 387,600	$	$ 484,178	$ 243,582	$ 969,000	$ 5,300	$ 2,089,660
	2015	$ 380,000	$	$ 97,656	$ 147,685	$ 632,347	$ 9,500	$ 1,267,188
Counsel and Corporate Secretary								
Andrew H. Hurst	2017	$ 367,200	$	$ 77,987	$ 117,108	$ 724,000	$ 5,400	$ 1,291,695
Senior Vice President Colorado	2016	$ 347,182	$ 56,000	$ 415,858	$ 144,404	$ 324,403	$ 5,300	$ 1,293,147
Technical University	2015	$ 320,000	$	$ 107,136	$ 79,816	$ 156,425	$ 4,265	$ 667,642
John R. Kline	2017	$ 346,800	$	$ 156,638	$ 110,617	$ 442,000	$ 5,400	$ 1,061,455
Senior Vice President American								
InterContinental University (2)								
Andrew J. Cederoth	2017	$ 325,288	$	$ 92,064	$ 138,266	$	$ 756,650	$ 1,312,268
Former Chief Financial	2016	$ 327,250	$ 7,500	$ 121,298	$ 182,266	$ 478,125	$ 3,687	$ 1,120,126
Officer (3)								

(1) Mr. Nelson joined the Company, and first became an executive officer, on August 12, 2015.

(2) 2017 was the first year that Messrs. Ghia and Kline were named executive officers. Accordingly, the compensation

disclosed in the Summary Compensation Table for them relates only to compensation for 2017.

(3) Mr. Cederoth served as an executive officer from April 1, 2016 through September 20, 2017.

Salary. In December 2017, in recognition of the Company s continued focus on providing excellent student service and solid momentum in its pursuit of sustainable and responsible growth, a lump sum payment was made to all eligible employees, including the executive officers other than Mr. Nelson, in lieu of a typical company-wide annual merit increase for 2018. The amount of the lump sum payment to the applicable executive officers was 2% of base salary and is included in the Salary column.

Stock and Option Awards. These columns show the grant date fair value of the restricted stock unit and stock option awards granted to our named executive officers, excluding the effect of actual or estimated forfeitures. See Note 13 of the notes to the consolidated financial statements included in our Annual Report on Form 10-K for the year ended December 31, 2017 for information regarding the assumptions used in the valuation of equity-based awards.

Amounts in the Stock Awards column for 2016 (other than for Mr. Cederoth) include the grant date fair value of the OEA awards, one-time performance-based restricted stock awards designed to build a culture of ownership, to put focus on achieving the Company s strategic plan which will support student outcomes and create stockholder value, and to encourage retention of talent. See Compensation Discussion & Analysis

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V. 2016 Compensation Decisions Outstanding Performance-Based Awards 2016 Ownership Equity Awards for information about these awards. The one-time nature of these awards in 2016 impacts the comparability of amounts for the years reported.

For the portion of the restricted stock unit awards that are subject to performance conditions, the grant date fair value is based upon the probable outcome of such conditions as determined at the date of grant and for all such awards shown, that grant date value is based upon achieving the target level of performance. The OEA awards and Mr. Nelson s 2016 and 2017 restricted stock unit awards are the only awards included in these columns that are subject to performance conditions. These awards provide for a single payout amount at each vesting date if the applicable performance conditions are satisfied. The probable outcome of the performance conditions as determined at the date of grant was that the performance measures would be achieved. Because there is no greater payout amount possible, the maximum attainment value is the same as the grant date fair value of these awards at target performance.

Non-Equity Incentive Plan Compensation. Annual cash incentives earned for any year are generally paid to the named executive officers in the first quarter of the following year. See Compensation Discussion and Analysis V. 2017 Compensation Decisions Annual Incentive Award Program for Key Executives and Annual Incentive Award Program for more information regarding these amounts.

In 2013, the Company introduced cash-based performance units which used relative TSR over a three-year performance period as a new long-term incentive vehicle. For Mr. Ayers, the 2015-2017 amounts reported in this column also include amounts earned pursuant to the performance units granted in 2013-2015, and, for Messrs. Nelson, Ghia and Hurst, the 2017 amount reported in this column also include amounts earned pursuant to the performance units granted in 2015. The three-year performance period of this award vehicle impacts the comparability of amounts reported.

All Other Compensation. All Other Compensation for 2017 includes the following components:

Name	Severance Payments (a)	Other (b)	Total
Todd S. Nelson	$	$ 9,725	$ 9,725
Ashish R. Ghia	$	$ 5,400	$ 5,400
Jeffrey D. Ayers	$	$ 5,400	$ 5,400
Andrew H. Hurst	$	$ 5,400	$ 5,400
John R. Kline	$	$ 5,400	$ 5,400
Andrew J. Cederoth	$ 751,250	$ 5,400	$ 756,650

(a) Includes amounts paid or payable in accordance with the terms of the Company s Executive Severance Plan.
(b) Includes Company matching 401(k) plan contributions as well as, for Mr. Nelson, $4,325 for term life insurance premiums. Information regarding non-discriminatory group welfare benefit plans is excluded from the Summary Compensation Table as permitted by applicable regulations.

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Grants of Plan-Based Awards in 2017

The following table provides information concerning the awards made to our named executive officers during 2017. Information regarding amounts in certain columns follows the table. All awards were made under the 2016 Plan.

Name	Grant Date	Estimated Future Payouts Under Non-Equity Incentive Plan Awards Threshold	Target	Maximum	Estimated Future Payouts Under Equity Incentive Plan Awards Threshold	Target	Maximum	All Other Stock Awards; Number of Shares of Stock or Units	All Other Option Awards: Number of Securities Underlying Options	Exercise or Base Price of Option Awards	Grant Date Fair Value of Stock and Option Awards
Todd S. Nelson	02/13/2017	$ 154,000	$ 770,000	$ 1,925,000							
	03/06/2017	$ 500,000	$ 1,000,000	$ 2,000,000							
	03/06/2017								122,516	$ 8.30	$ 520,521
	03/06/2017					41,752					$ 346,542
Ashish R. Ghia	02/13/2017	$ 30,088	$ 150,442	$ 300,883							
	03/06/2017	$ 39,312	$ 78,624	$ 157,248							
	03/06/2017							12,312			$ 102,190
	11/08/2017							14,244			$ 173,349
Jeffrey D. Ayers	02/13/2017	$ 49,400	$ 247,000	$ 617,500							
	03/06/2017	$ 118,750	$ 237,500	$ 475,000							
	03/06/2017								29,096	$ 8.30	$ 123,617
	03/06/2017							9,916			$ 82,303
Andrew H. Hurst	02/13/2017	$ 46,800	$ 234,000	$ 585,000							
	03/06/2017	$ 112,500	$ 225,000	$ 450,000							
	03/06/2017								27,564	$ 8.30	$ 117,108
	03/06/2017							9,396			$ 77,987
John R. Kline	02/13/2017	$ 44,200	$ 221,000	$ 552,500							
	03/06/2017	$ 106,250	$ 212,500	$ 425,000							
	03/06/2017								26,036	$ 8.30	$ 110,617
	03/06/2017							8,872			$ 73,638
	03/06/2017							10,000			$ 83,000
Andrew J. Cederoth	02/13/2017	$ 63,750	$ 318,750	$ 796,875							
	03/06/2017	$ 132,813	$ 265,625	$ 531,250							

03/06/2017		32,544	$ 8.30	$ 138,266
03/06/2017	11,092			$ 92,064

Estimated Future Payouts Under Non-Equity Incentive Plan Awards. AIP General: The first row of amounts in these columns for each applicable person shows estimated possible future payouts of awards under our 2017 annual cash incentive award program. Amounts provided are calculated on a full year basis using the 2017 annual base salary for each officer. The performance measures and attainment are discussed in Compensation Discussion and Analysis V. 2017 Compensation Decisions Annual Incentive Award Program above. Amounts actually earned by the named executive officers are included in the 2017 Summary Compensation Table under the column Non-Equity Incentive Plan Compensation. *AIP Threshold Amounts:* The threshold amounts provided are the amounts payable for achieving threshold performance levels under the program; however, performance below the threshold performance levels will result in no payout. For purposes of calculating the threshold amounts, the individual component of the program has been assumed to be $0 because there is no threshold level of performance specified which will provide a minimum amount payable for the individual component. *AIP Target Amounts:* The program established payout amounts for achievement of target Company and individual performance. *AIP Maximum Amounts*: The maximum payouts are established by the 2017 Annual Incentive Award Program for Key Executives for those executive officers named therein; for Mr. Ghia, the maximum amount provided is the 200% maximum amount payable with respect to each component of the program.

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The second row of amounts in these columns for each person shows estimated possible future payouts of awards (when made) under cash-based performance units granted in 2017 which use relative TSR over a three-year period as the performance measure. The performance units provide for a 50% payout if a threshold level of performance is met, a target payout amount and a maximum payout of 200% of target. If the threshold level of performance is not met, there will be no payout under the performance units. See Compensation Discussion and Analysis V. 2017 Compensation Decisions Long-Term Incentive Compensation Awards for more information regarding the grant of performance units in 2017.

Estimated Future Payouts Under Equity Incentive Plan Awards. Mr. Nelson s award reflected in these columns provides for a single payout amount at the vest date if the applicable performance condition is satisfied. That number of shares is provided in the chart as the target. There are no threshold or maximum payouts for these awards. The performance target and vesting provisions for this award in 2017 are discussed above in Compensation Discussion & Analysis V. 2017 Compensation Decisions Long-Term Incentive Compensation Awards.

All Other Stock Awards. This column shows the number of time-vesting restricted stock units granted to each of the named executive officers during 2017. These awards vest 25% per year over four years, subject to continued employment with the Company.

All Other Option Awards. This column shows the number of stock options granted to each of the named executive officers during 2017. These options become exercisable 25% per year over four years, subject to continued employment with the Company.

Exercise or Base Price of Option Awards. This column shows the exercise price for the stock options granted, which was the closing price of our common stock as reported on NASDAQ on the grant date.

Grant Date Fair Value of Stock and Option Awards. This column shows the grant date fair value of the 2017 restricted stock unit and stock option awards granted to our named executive officers, excluding the effect of actual or estimated forfeitures. For the portion of the restricted stock unit awards that are subject to performance conditions, that grant date value is based upon the probable outcome of such conditions. Amounts are calculated in accordance with the provisions of FASB ASC Topic 718 *Compensation Stock Compensation*. See Note 13 of the notes to our consolidated financial statements included in our Annual Report on Form 10-K for the year ended December 31, 2017 for information regarding the assumptions used in the valuation of equity awards.

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Outstanding Equity Awards at Year End 2017

The following table includes information as of December 31, 2017 about all unexercised options to purchase shares of our common stock and unvested restricted stock units held by the named executive officers.

		Option Awards				Stock Awards			
Name	Grant Date	Number of Securities Underlying Unexercised Options Exercisable (1)	Number of Securities Underlying Unexercised Options Unexercisable (1)	Option Exercise Price	Option Expiration Date	Number of Shares or Units of Stock That Have Not Vested	Market Value of Shares or Units of Stock That Have Not Vested (2)	Equity Incentive Plan Awards: Number of Unearned Shares, Units or Other Rights That Have Not Vested	Equity Incentive Plan Awards: Market or Payout Value of Unearned Shares, Units or Other Rights That Have Not Vested (2)
Todd S. Nelson	03/06/2017		122,516	$ 8.30	03/06/2027		$	41,752(4)	$ 504,364
	03/07/2016	105,902	317,706	$ 4.49	03/07/2026	57,033(5)	$		$ 688,959
	03/07/2016					57,033(6)	$		$ 688,959
	03/14/2016						$	100,000(7)	$ 1,208,000
	08/12/2015	125,366	125,366	$ 4.15	08/12/2025	29,762(8)	$ 359,525		$
	08/12/2015					29,762(9)	$ 359,525		$
Ashish R. Ghia	11/08/2017					14,244(10)	$ 172,068		$
	03/06/2017					12,312(11)	$ 148,729		$
	03/07/2016					18,684(12)	$ 225,703		$
	03/07/2016					18,684(13)	$ 225,703		$
	03/14/2016						$	22,400(7)	$ 270,592
	03/06/2015					2,770(14)	$ 33,462		$
	03/06/2015					2,770(15)	$ 33,462		$
	03/04/2014					2,397(16)	$ 28,956		$
Jeffrey D. Ayers	03/06/2017		29,096	$ 8.30	03/06/2027	9,916(11)	$ 119,785		$
	03/07/2016	25,152	75,456	$ 4.49	03/07/2026	13,545(12)	$ 163,624		$
	03/07/2016					13,545(13)	$ 163,624		$
	03/14/2016						$	56,000(7)	$ 676,480
	03/06/2015	21,990	21,990	$ 5.90	03/06/2025	4,138(14)	$ 49,987		$
	03/06/2015					4,138(15)	$ 49,987		$

	03/04/2014	35,655	11,885	$ 7.33	03/04/2024	4,358(17)	$ 52,645		$
	03/04/2013	77,572		$ 2.72	03/04/2023		$		$
	03/01/2012	20,364		$ 8.63	02/28/2022		$		$
	03/14/2011	27,196		$ 21.80	03/13/2021		$		$
	03/03/2010	23,552		$ 29.02	03/02/2020		$		$
	02/25/2009	21,540		$ 26.15	02/24/2019		$		$
	03/13/2008	39,500		$ 13.32	03/12/2018		$		$
	02/25/2008	5,000		$ 15.32	02/24/2018		$		$
Andrew H. Hurst	03/06/2017		27,564	$ 8.30	03/06/2027	9,396(11)	$ 113,504		$
	03/07/2016	14,911	44,733	$ 4.49	03/07/2026	8,031(12)	$ 97,014		$
	03/07/2016					8,031(13)	$ 97,014		$
	03/14/2016						$	55,600(7)	$ 671,648
	06/12/2015					4,531(18)	$ 54,734		$
	03/06/2015	11,852	11,852	$ 5.90	03/06/2025	2,230(14)	$ 26,938		$
	03/06/2015					2,230(15)	$ 26,938		$
	05/12/2014	17,104	5,702	$ 5.00	05/12/2024	3,659(18)	$ 44,201		$
	05/12/2014					3,659(19)	$ 44,201		$
John R. Kline	03/06/2017		26,036	$ 8.30	03/06/2027	8,872(11)	$ 107,174		$
	03/06/2017					10,000(12)	$ 120,800		$
	03/14/2016						$	55,600(7)	$ 671,648
	11/06/2015	28,324	28,324	$ 4.07	11/06/2025	8,120(20)	$ 98,090		$
	11/06/2015					8,120(21)	$ 98,090		$
Andrew J. Cederoth (3)									$

(1) Unless otherwise indicated, stock options become exercisable 25% per year over four years.

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(2) The dollar value of these awards is calculated using the closing market price of $12.08 per share of our common stock on December 29, 2017, as reported on NASDAQ.

(3) The employment of Mr. Cederoth terminated in 2017. In connection therewith, his unvested restricted stock units and unexercisable stock options were forfeited.

(4) One-fourth of these restricted stock units vest on each of March 14, 2018, 2019, 2020 and 2021, subject to satisfaction of the performance condition.

(5) One-third of these restricted stock units vest on each of March 14, 2018, 2019 and 2020. The performance condition for this award was satisfied.

(6) One-third of these cash-settled restricted stock units vest on each of March 14, 2018, 2019 and 2020. The performance condition for this award was satisfied.

(7) The remaining OEA performance-based restricted stock units vest 62.5% on March 14, 2018 and 37.5% on March 14, 2019, subject in each case to the achievement of the applicable adjusted EBITDA performance measure(s).

(8) One-half of these restricted stock units vest on each of September 14, 2018 and 2019.

(9) One-half of these cash-settled restricted stock units vest on each of September 14, 2018 and 2019.

(10) One-fourth of these restricted stock units vest on each of December 14, 2018, 2019, 2020 and 2021.

(11) One-fourth of these restricted stock units vest on each of March 14, 2018, 2019, 2020 and 2021.

(12) One-third of these restricted stock units vest on each of March 14, 2018, 2019 and 2020.

(13) One-third of these cash-settled restricted stock units vest on each of March 14, 2018, 2019 and 2020.

(14) One-half of these restricted stock units vest on each of March 14, 2018 and 2019.

(15) One-half of these cash-settled restricted stock units vest on each of March 14, 2018 and 2019.

(16) These cash-settled restricted stock units vested on March 14, 2018.

(17) These restricted stock units vested on March 14, 2018.

(18) These restricted stock units vest on June 14, 2018.

(19) These cash-settled restricted stock units vest on June 14, 2018.

(20) One-half of these restricted stock units vest on each of December 14, 2018 and 2019.

(21) One-half of these cash-settled restricted stock units vest on each of December 14, 2018 and 2019.

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Option Exercises and Stock Vested for 2017

The following table includes information regarding option exercises by our named executive officers and vesting of restricted stock units held by them during the year ended December 31, 2017.

	Option Awards		Stock Awards	
Name	Number of Shares Acquired on Exercise	Value Realized on Exercise(1)	Number of Shares Acquired on Vesting	Value Realized on Vesting(2)
Todd S. Nelson			353,201	$ 3,350,583
Ashish R. Ghia			26,398	$ 209,864
Jeffrey D. Ayers			42,192	$ 335,426
Andrew H. Hurst			33,333	$ 286,918
John R. Kline			22,020	$ 211,274
Andrew J. Cederoth	14,294	$ 87,016	5,088	$ 49,862

(1) The aggregate dollar value realized on exercise was calculated by multiplying the number of shares acquired upon vesting by the difference between the market price of the Company s common stock as reported on NASDAQ at exercise and the exercise price.

(2) The aggregate dollar value realized on vesting was calculated by multiplying the number of restricted stock units (stock and cash settled) which vested by the closing price of the Company s common stock as reported on NASDAQ on the vesting date.

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Employment Arrangements and Potential Payments upon Termination or Change in Control

None of our current named executive officers has a fixed term employment contract and all are at will employees. However, we have entered into certain agreements and maintain certain plans that require us to provide compensation to the named executive officers in the event of certain terminations of their employment or if the Company experiences a change in control. The amount of compensation payable to each named executive officer employed by the Company at December 29, 2017 (the last business day of 2017) for such terminations is shown in the tables below under the heading Potential Payments, and the amount of compensation paid or payable to our former Chief Financial Officer who was not employed by the Company at December 29, 2017 is discussed below in this section.

Executive Severance Plan. The Company s executive officers are eligible to participate in the Company s Executive Severance Plan and may be eligible to receive benefits thereunder in the event such an executive officer s employment is involuntarily terminated. The Employee Benefits Committee, as the plan administrator, or its authorized designee, is responsible for determining whether an eligible executive officer s employment is terminated involuntarily by the Company and, if so, whether such eligible executive officer will receive benefits under this plan, in accordance with the terms thereof. Involuntary terminations do not include terminations for cause (as defined under this plan); terminations due to agreements between the Company and the employee under which the employee becomes a consultant or independent contractor; terminations due to death, disability, retirement (including voluntary retirement under any special early retirement incentive program) or any form of voluntary termination. Termination for cause means the employee is discharged by us for poor performance, nonperformance or misconduct. Misconduct includes, but is not limited to, insubordination, dishonesty, theft, violation of Company rules and willful destruction of Company property.

To receive the severance benefits, the terminated executive must sign a release of claims against the Company and enter into a non-solicitation, non-competition and confidentiality agreement with the Company to the extent permitted by governing law and allowed under the ethical rules of any applicable professional licensing organizations that will last for one year (such agreement, a *Separation Agreement*). The Executive Severance Plan is intended to provide benefits that are exempt from the requirements of Code Section 409A, but provides that to the extent any benefit payable is determined to be subject to Section 409A, benefits will be paid in accordance with Section 409A.

Severance benefits under this plan include base pay, target cash incentive payments under the Company s annual incentive program and certain benefits coverage, as follows:

A lump sum payment equal to the sum of (1) the terminating executive s annual salary at the time of termination, plus (2) an amount equal to the terminating executive s target bonus for the year in which termination occurs.

For those executives who participate in our health, dental and vision plans and timely elect to continue that coverage under federal COBRA law, partially subsidized COBRA insurance premiums so that the executive pays the same cost that similarly situated active employees of the Company pay for such coverage for a period of time beginning immediately after the employment termination and lasting for one year.

Outplacement assistance from a Company-selected provider that is reimbursed or paid for by the Company.

Severance Arrangements Pursuant to Nelson Letter Agreement. Pursuant to Mr. Nelson s employment letter agreement entered into on July 30, 2015 when he joined the Company (the *Nelson Letter Agreement*), Mr. Nelson is entitled to certain enhanced severance benefits. Mr. Nelson is entitled to receive the following payments and benefits if terminated by the Company without cause or if he resigned for good reason (as such terms are defined in the Nelson Letter Agreement, and each a *Qualifying Termination*), subject to his execution and non-revocation of a general release of claims: (i) a lump sum payment equal to two times the sum

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of his annual base salary and target cash annual incentive, (ii) a pro rata portion of the cash annual incentive for the year in which the termination occurs, based on actual performance, and (iii) partially subsidized COBRA insurance premiums so that Mr. Nelson pays the same cost that similarly situated active employees of the Company pay for such coverage for a period of time beginning immediately after the employment termination and lasting for 18 months. Pursuant to the Nelson Letter Agreement, Mr. Nelson is subject to confidentiality and non-disparagement covenants during and after his employment with the Company terminates. Mr. Nelson is also subject to non-competition and employee and customer non-solicitation covenants both during and for a period of two years following termination of his employment.

Incentive Plan Termination of Employment Provisions. Under the 2016 Plan and 2008 Plan (except as provided below for Mr. Nelson), outstanding restricted stock, restricted stock unit and performance unit awards immediately vest and become non-forfeitable in case of death or disability, but are forfeited in the event of other forms of employment termination. The amount payable with respect to the outstanding performance units in case of death or disability will be a pro rata amount of the target value based on the length of service during the three-year performance period. For outstanding stock option awards (except as provided below for Mr. Nelson), if the termination is due to:

Death or disability, options become fully exercisable and remain exercisable from the date of termination due to death or disability until the first to occur of (a) the expiration date of the option and (b) one year after the date of termination. Any options not exercised within the allowed time period are automatically forfeited.

Retirement, options continue to vest for three years (but not longer than the option s term) and any vested and exercisable options are exercisable from the date of retirement until the first to occur of (x) the expiration date of the option and (y) three years after the retirement date; any options that have not become exercisable are automatically forfeited. Any options not exercised within the allowed time period also are automatically forfeited. Retirement means termination after age 55 with at least five years of service.

Involuntary termination for reasons other than cause, options that are exercisable on the date of termination remain exercisable from that termination date until the first to occur of (a) the expiration date of the option and (b) 90 days from the termination date. Any unexercisable options on the date of termination are automatically forfeited and options not exercised within the allowed time period are automatically forfeited.

Voluntary termination of employment or service (for reasons other than retirement, death or disability), options that are exercisable on the date of termination remain exercisable from that termination date until the first to occur of (a) the expiration date of the option and (b) 30 days after the termination date. Any unexercisable options on the termination date are automatically forfeited. Any options not exercised within the allowed time period also are automatically forfeited.

Termination for cause, the participant immediately and automatically forfeits all options to purchase shares of our stock.

The stock option and restricted stock unit awards made to Mr. Nelson in 2015 include vesting provisions that differ from those described above. In the event of a Qualifying Termination: (i) the stock options vest in full on the termination date and remain exercisable for three years after termination; and (ii) the restricted stock units vest in full on the termination date, subject to achievement of any applicable performance measure. In the event of death or disability, the stock options vest in full and remain exercisable for one year and the restricted stock units vest in full. In the event of retirement, vested stock options rights remain exercisable for three years following such retirement, but in no event beyond their original term.

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Equity Plan Change in Control Provisions. Under the 2016 Plan and 2008 Plan, a change in control is deemed to have occurred if any of the following events occur:

Any corporation, person or other entity (other than us, our majority-owned subsidiary or any of its subsidiaries, or an employee benefit plan (or related trust) sponsored or maintained by us), including persons or entities acting as a group, becomes the beneficial owner of stock representing more than 35% of our common stock.

Our merger or consolidation with or into another corporation other than a majority-owned subsidiary, or an agreement to sell or otherwise dispose of all or substantially all of our assets, and the members of the Board of Directors prior to that approval do not represent a majority of the directors of the surviving, resulting or acquiring entity or the parent of that entity.

The consummation of a plan of liquidation.

Within any period of 24 consecutive months, the members of the Board of Directors immediately prior to the 24-month period, together with any persons first elected as directors (other than as a result of any settlement of a proxy or consent solicitation contest or any action taken to avoid a contest) during the 24-month period by or on the recommendation of the Board immediately prior to that 24-month period and who constituted a majority of the Board at the time of election, cease to constitute a majority of the Board.

The 2016 Plan and 2008 Plan are double-trigger plans that provides that upon both (1) a change in control and (2) an involuntary termination of the award holder s employment or service by us or our successor other than for cause (as defined in the applicable plan) during the two-year period following the change in control, that award holder s stock options shall become exercisable and shares of restricted stock, restricted stock units and performance units shall become vested. All performance goals will be deemed to have been met.

Mr. Cederoth. Mr. Cederoth ceased serving as Senior Vice President and Chief Financial Officer effective September 20, 2017. Mr. Cederoth participated in the Company s Executive Severance Plan, which provided him a lump sum payment of $743,750, representing one year of base salary plus his target bonus for the year, and eligibility for subsidized COBRA insurance premiums for a 12-month period (so that he would pay the same cost that a similarly situated active employee of the Company pays for such coverage), which he did not utilize. Also, as a participant in the Executive Severance Plan, Mr. Cederoth became eligible for outplacement assistance, the estimated cost of which is $7,500. All unvested incentive compensation awards held by Mr. Cederoth forfeited upon his departure.

Potential Payments. The following tables describe the benefits to which the named executive officers who were employed by the Company at December 29, 2017 (the last business day of the year) would have been entitled under the arrangements described above (1) if the named executive officer had terminated employment pursuant to (a) a voluntary termination, (b) retirement, (c) an involuntary termination other than for cause, (d) the named executive officer s death or disability, or (e) a termination for cause (as defined in the applicable plan or any applicable employment letter agreement), in any such case on December 29, 2017, or (2) upon a change in control of the Company and a concurrent involuntary termination of the named executive officer s employment on December 29, 2017. For Mr. Nelson, the involuntary termination other than for cause scenario also includes a resignation by Mr. Nelson for good reason (as defined in the Nelson Letter Agreement). Information regarding the calculation of certain amounts is provided below the tables. Information regarding non-discriminatory group welfare benefit plans is excluded from the tables below as permitted by applicable regulations.

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Todd S. Nelson

Executive Benefits and Payments Upon Termination	Voluntary Termination	Normal Retirement	Involuntary Not for Cause Termination	Death or Disability	For Cause Termination	Change in Control
Compensation:						
Lump Sum	$	$	$ 3,080,000	$	$	$ 3,080,000
Accrued Annual Incentive	$ 1,540,000	$ 1,540,000	$ 1,540,000	$ 1,540,000	$	$ 1,540,000
Restricted Stock Units	$	$	$ 719,050	$ 3,809,331	$	$ 3,809,331
Stock Options	$	$ 3,752,874	$ 994,152	$ 3,868,651	$	$ 3,868,651
Performance Units	$ 2,000,000	$ 2,000,000	$ 2,000,000	$ 3,000,000	$	$ 4,000,000
Benefits and Perquisites:						
Life Insurance Proceeds	$	$	$	$ 770,000	$	$
COBRA Benefits	$	$	$ 17,334	$	$	$ 17,334
Outplacement	$	$	$ 7,500	$	$	$ 7,500
Total:	$ 3,540,000	$ 7,292,874	$ 8,358,036	$ 12,987,982	$	$ 16,322,816

Ashish R. Ghia

Executive Benefits and Payments Upon Termination	Voluntary Termination	Normal Retirement	Involuntary Not for Cause Termination	Death or Disability	For Cause Termination	Change in Control
Compensation:						
Lump Sum	$	$	$ 612,500	$	$	$ 612,500
Accrued Annual Incentive	$ 300,883	$ 300,883	$	$ 300,883	$	$
Restricted Stock Units	$	$	$	$ 1,138,673	$	$ 1,138,673
Stock Options	$	$	$	$	$	$
Performance Units	$ 84,792	$ 84,792	$ 84,792	$ 169,240	$	$ 250,776
Benefits and Perquisites:						
COBRA Benefits	$	$	$ 9,413	$	$	$ 9,413
Outplacement	$	$	$ 7,500	$	$	$ 7,500
Total:	$ 385,675	$ 385,675	$ 714,205	$ 1,608,796	$	$ 2,018,862

Jeffrey D. Ayers

Executive Benefits and Payments Upon Termination	Voluntary Termination	Normal Retirement	Involuntary Not for Cause Termination	Death or Disability	For Cause Termination	Change in Control
Compensation:						
Lump Sum	$	$	$ 627,000	$	$	$ 627,000
Accrued Annual Incentive	$ 494,000	$ 494,000	$	$ 494,000	$	$
Restricted Stock Units	$	$	$	$ 1,276,131	$	$ 1,276,131

Stock Options	$	$ 847,550	$	$ 875,046	$	$ 875,046
Performance Units	$ 475,000	$ 475,000	$ 475,000	$ 712,500	$	$ 950,000
Benefits and Perquisites:						
COBRA Benefits	$	$	$ 15,196	$	$	$ 15,196
Outplacement	$	$	$ 7,500	$	$	$ 7,500
Total:	$ 969,000	$ 1,816,550	$ 1,124,696	$ 3,357,677	$	$ 3,750,873

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Andrew H. Hurst

Executive Benefits and Payments Upon Termination	Voluntary Termination	Normal Retirement	Involuntary Not for Cause Termination	Death or Disability	For Cause Termination	Change in Control
Compensation:						
Lump Sum	$	$	$ 594,000	$	$	$ 594,000
Accrued Annual Incentive	$ 468,000	$ 468,000	$	$ 468,000	$	$
Restricted Stock Units	$	$	$ 54,734	$ 1,176,193	$	$ 1,176,193
Stock Options	$	$ 531,283	$	$ 557,331	$	$ 557,331
Performance Units	$ 256,000	$ 256,000	$ 256,000	$ 424,867	$	$ 621,800
Benefits and Perquisites:						
COBRA Benefits	$	$	$ 11,556	$	$	$ 11,556
Outplacement	$	$	$ 7,500	$	$	$ 7,500
Total:	$ 724,000	$ 1,255,283	$ 923,790	$ 2,626,391	$	$ 2,968,380

John R. Kline

Executive Benefits and Payments Upon Termination	Voluntary Termination	Normal Retirement	Involuntary Not for Cause Termination	Death or Disability	For Cause Termination	Change in Control
Compensation:						
Lump Sum	$	$	$ 561,000	$	$	$ 561,000
Accrued Annual Incentive	$ 442,000	$ 442,000	$	$ 442,000	$	$
Restricted Stock Units	$	$	$	$ 1,095,801	$	$ 1,095,801
Stock Options	$	$ 300,687	$	$ 325,291	$	$ 325,291
Performance Units	$	$	$	$ 70,833	$	$ 212,500
Benefits and Perquisites:						
COBRA Benefits	$	$	$ 15,196	$	$	$ 15,196
Outplacement	$	$	$ 7,500	$	$	$ 7,500
Total:	$ 442,000	$ 742,687	$ 583,696	$ 1,933,925	$	$ 2,217,288

Lump Sum. Except for certain enhanced benefits for Mr. Nelson pursuant to the Nelson Letter Agreement, severance arrangements for the named executive officers are governed by the Company s current Executive Severance Plan, which is described above in this Potential Payments upon Termination or Change in Control section.

Accrued Annual Incentive. The Company s cash annual incentive program is a calendar year program. Assuming a December 31, 2017 termination date for purposes of this item, the named executive officers would receive the cash incentive accrued and payable for calendar year 2017 (other than a for cause termination). Amounts payable pursuant to the annual incentive program are not duplicative of amounts payable pursuant to the Executive Severance Plan, and therefore the tables above include annual incentive amounts as part of the Lump Sum amount payable pursuant to the

Executive Severance Plan in the event of an involuntary termination other than for cause (except for Mr. Nelson whose employment letter agreement provides for enhanced severance benefits).

Restricted Stock Units. For purposes of the tables above, compensation for the vesting of time-based and performance-based restricted units equals the $12.08 closing price per share of our common stock as reported on NASDAQ on December 29, 2017, multiplied by the number of vesting units. All outstanding performance conditions are assumed to have been met.

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Performance Units. Compensation with respect to the performance units granted in 2015 was earned on December 31, 2017. Assuming a December 31, 2017 termination date for purposes of this item, the applicable named executive officers would receive payment thereunder (other than a for cause termination). Compensation with respect to the performance units granted in 2016 and 2017 for the events in the tables above reflect the outcomes provided for pursuant to the terms of the performance units.

Stock Options. Stock option compensation for the events in the tables above equals the difference between the exercise price and the $12.08 closing price per share of our common stock as reported on NASDAQ on December 29, 2017, multiplied by the number of options or rights becoming exercisable in connection with the termination event.

Life Insurance Proceeds. The amount included for Mr. Nelson relates to a Company-paid group life insurance plan which provides for a higher maximum payout for the chief executive officer than for other participants.

COBRA Benefits. The Executive Severance Plan provides that the Company will pay a portion of medical, dental and vision premiums for terminated executives for the period of time after termination that is equal to the number of weeks of pay for which the executive is eligible (or the COBRA period, if shorter), if an eligible executive is a participant in the Company s medical, dental or vision insurance plans at the time of termination and after termination timely elects to continue such insurance coverage under federal COBRA law. The executive pays a premium amount that a similarly situated active employee of the Company pays for such coverage. Amounts in the table above calculated pursuant to the current Executive Severance Plan assume one year of partially subsidized COBRA premiums, except for Mr. Nelson whose employment letter agreement provides for 18 months of COBRA benefits.

Outplacement. The Executive Severance Plan provides that the Company will provide outplacement assistance from a provider selected by the Company and upon the terms and conditions as shall be communicated to the executive at the time of his or her employment termination or as soon as possible thereafter. Therefore, amounts in the table above are estimates only.

Normal Retirement. For purposes of the tables above, the named executive officers are assumed to be retirement eligible under the 2016 Plan and 2008 Plan.

Change in Control. The Company s Executive Severance Plan governs the severance arrangements applicable to the named executive officers in the tables above (except that Mr. Nelson has certain enhanced severance benefits). The Company s Executive Severance Plan does not contain provisions addressing change in control. For purposes of determining amounts payable to the named executive officers assuming a concurrent change in control and termination of employment effective December 29, 2017, the termination is deemed to be involuntary not for cause termination.

2017 Pay Ratio Disclosure

As required by Section 953(b) of the Dodd-Frank Wall Street Reform and Consumer Protection Act, and Item 402(u) of Regulation S-K promulgated by the Securities and Exchange Commission (the *SEC*), the Company has calculated the mandated ratio of the median of the 2017 annual total compensation of all employees to the 2017 annual total compensation of Mr. Nelson, our President and Chief Executive Officer (our *CEO*), in accordance with the requirements of the SEC s rule.

Additionally, given the Company s significant part-time workforce, a supplemental ratio that excludes both adjunct faculty and federal work-study student workers has also been calculated. As these part-time employees may work varying schedules and times throughout the year to support our students, the supplemental ratio provides another perspective on the median employee and ratio.

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The pay ratios were calculated as follows:

$$\text{Pay Ratio} = \frac{\text{Annual Total Compensation of CEO}}{\text{Annual Total Compensation of median employee}}$$

With respect to the mandated ratio calculation, the Company identified the median employee by comparing the amount of total taxable wages for federal income tax purposes as reflected in our payroll records as reported to the Internal Revenue Service in Box 1 on Form W-2 for 2017 for all individuals, excluding the CEO, who were employed by the Company on December 31, 2017. This includes all full-time and part-time employees, including adjunct faculty and federal work-study student workers, but does not include independent contractors and leased workers. Compensation was annualized for more than 650 employees who were hired by the Company in 2017 but did not work for the Company for the entire year. No annualization was applied to any adjunct faculty or federal work-study student workers due to their varying work schedules throughout the year. After identifying the median employee, 2017 annual total compensation was calculated in the same manner as reflected in the 2017 Summary Compensation Table above for our CEO.

The same methodology was used to calculate the supplemental ratio, except that compensation for 1,880 adjunct faculty and federal work-study student workers was excluded when determining the median employee.

The following table shows the mandated ratio between the 2017 annual total compensation of our CEO, as reflected in the Total column of the 2017 Summary Compensation Table above, and the median of the 2017 annual total compensation of all employees, as well as the supplemental ratio resulting from the exclusion of adjunct faculty and federal work-study student workers when determining the median compensation. These pay ratios are reasonable estimates calculated in a manner consistent with Item 402(u) of Regulation S-K based on our payroll records and the methodology described above.

Pay Ratio	**Median 2017 Annual Total Compensation**	**CEO to Median Pay Ratio**
Mandated Ratio (Includes all employees)	$40,965	127:1
Supplemental Ratio (Excludes adjunct faculty and federal work-study student workers)	$54,144	96:1

For a description of the components of 2017 annual total compensation of our CEO, the Company s executive officer compensation philosophy and the above target performance results impacting 2017 CEO annual total compensation, see the Compensation Discussion and Analysis section above as well as the 2017 Summary Compensation Table and accompanying narrative above.

The SEC s pay ratio rule permits a variety of methodologies and assumptions when calculating the mandated ratio. As a result, the pay ratio reported by other companies may not be comparable to the pay ratio the Company has reported. Pay ratios may vary significantly among companies, within the same industry and more broadly, as a result of these different methodologies and assumptions used to identify the median employee. In addition, pay ratios may vary significantly among companies due to differences in business strategies and workforce composition. For example, one company may outsource certain business functions whereas another may perform the same functions in-house. These and other factors can significantly impact the pay ratio reported by each company.

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AUDIT-RELATED MATTERS

Report of the Audit Committee of the Board of Directors

We assist the Board in fulfilling its responsibility for overseeing the quality of CEC s accounting, auditing and reporting practices. Management is responsible for the reporting processes, for preparing and presenting financial statements and implementing and maintaining internal controls. CEC s independent registered public accounting firm is responsible for expressing an opinion on the conformity of CEC s audited financial statements to generally accepted accounting principles in the United States.

In discharging our oversight responsibilities regarding the audit process, we have:

(1) Reviewed and discussed the audited financial statements included in the Company s Annual Report on Form 10-K for the fiscal year ended December 31, 2017 with management.

(2) Discussed with Grant Thornton LLP the matters required to be discussed by Public Company Accounting Oversight Board Auditing Standard No. 1301, *Communications with Audit Committees*.

(3) Received the written disclosures and the letter from Grant Thornton LLP required by the applicable requirements of the Public Company Accounting Oversight Board regarding Grant Thornton LLP s communications with us concerning independence, and have discussed with Grant Thornton LLP its independence.

Based upon the review and discussions referred to above, we recommended to the Board of Directors that the audited financial statements be included in the Company s Annual Report on Form 10-K for the fiscal year ended December 31, 2017, for filing with the SEC.

AUDIT COMMITTEE

Kenda B. Gonzales (Chairperson)

Dennis H. Chookaszian

Leslie T. Thornton

Principal Accounting Fees and Services

Pre-Approval Policy

The Audit Committee pre-approves all services provided by Grant Thornton LLP to the Company. In some cases, this pre-approval may be accomplished through policies and procedures adopted by the Audit Committee that provide a detailed description of the services that may be performed, as well as limits on the fees for the services. In pre-approving services, the Audit Committee considers whether these services are consistent with the SEC s rules on auditor independence.

Fees Paid to Independent Public Accounting Firm

The following is a summary of the approximate fees billed to us by Grant Thornton LLP for professional services provided for fiscal years ended December 31, 2016 and 2017.

Fee Category	2017	2016
Audit Fees (1)	$ 1,204,553	$ 1,460,446
Audit-Related Fees (2)	$ 70,000	$
Tax Fees (3)	$	$
All Other Fees (4)	$ 15,000	$ 16,000

(1) Audit fees consisted of audit work performed in the preparation of financial statements, quarterly financial statement reviews, regulatory audits, and consultation regarding financial accounting or

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reporting standards as well as any related expenses reimbursable by the Company incurred during the audit. These fees included audit services related to Section 404 of the Sarbanes-Oxley Act.

(2) Audit-related fees consisted of work performed in connection with implementation of a new revenue recognition accounting standard.

(3) Tax fees consisted of all services performed by the independent registered public accounting firm s tax personnel, except those related to the audit of financial statements, and include tax compliance, tax consulting, tax planning and non-recurring projects.

(4) All other fees consisted of work performed in connection with 401(k) plan audits.

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ITEMS TO BE VOTED ON

PROPOSAL 1: Election of Directors

The Board of Directors has nominated the nine director candidates named below. Each of the nominees is currently serving as a director of Career Education Corporation and is running for re-election. If elected, the nominees for election as directors will each serve for a one-year term expiring at the Company s 2019 Annual Meeting of Stockholders. The Board of Directors recommends that stockholders vote in favor of the election of all of the nominees named in this Proxy Statement below to serve as directors of CEC.

The Board of Directors has affirmatively determined that each of the director nominees, except for Mr. Nelson who serves as President and Chief Executive Officer, is an independent director under the NASDAQ listing standards and is independent under NASDAQ s listing standards applicable to his or her Board Committee memberships. The Board used Rule 5605(a)(2) of NASDAQ s corporate governance listing requirements applicable to its listed companies and Rule 10A-3(b)(1) of the Exchange Act as a guide in its independence determination.

If any of the Board of Director s nominees is unable or declines to serve at the time of the Annual Meeting, the persons named as proxies may vote for a substitute nominee or nominees recommended by the Board of Directors. The Board of Directors has no reason to believe that any of the nominees will be unable or will decline to serve as a director if elected.

The Board of Directors recommends that stockholders vote FOR all of the Board of Directors nominees for election as directors.

Dennis H. Chookaszian *Director since October 2002*

Mr. Chookaszian, age 74, served as Chairman of the Financial Accounting Standards Advisory Council, which advises the Financial Accounting Standards Board (*FASB*), from January 1, 2007 to December 31, 2011.
Mr. Chookaszian was formerly the Chairman and Chief Executive Officer of CNA Financial Corporation. During his 27-year career with CNA, Mr. Chookaszian held several management positions at CNA s business unit and corporate levels. In 1992, he was named Chairman and Chief Executive Officer of CNA Insurance Companies, and in 1999 he became Chairman of CNA s executive committee. Mr. Chookaszian retired from CNA in 2001. Mr. Chookaszian is currently a board member of publicly-held CME Group Inc. (formerly known as Chicago Mercantile Exchange Holdings Inc.), a U.S. financial exchange; Maxar Technologies Ltd. (formerly known as MacDonald Dettwiler), a global communications and information company; and Pillarstone Capital REIT, a Maryland real estate investment trust engaged in investing in, owning and operating commercial properties. He also served as a director of publicly-held Allscripts Healthcare Solutions, Inc., a provider of clinical, financial, connectivity and information solutions and related professional services for hospitals, physicians and post-acute organizations, from September 2010 to May 2016; LoopNet, Inc., an information services provider to the commercial real estate industry, from July 2006 to April 2012; Prism Technologies Group, Inc., an on-line insurance provider, from April 2003 to December 2017; and Sapient Corporation, a global services firm providing digital marketing and business and information technology services, from January 2003 to August 2007. Mr. Chookaszian has a Bachelor of Science in chemical engineering from Northwestern University, a Master of Business Administration in finance from the University of Chicago and a Master s degree in economics from the London School of Economics. He received certification as a public accountant in 1971 and also is a Chartered Property Casualty Underwriter.

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Expertise	*Attributes and Skills*
Strategic Planning and Growth Initiatives	Mr. Chookaszian assists the Board and Company in assessing its growth strategies by providing transaction structuring alternatives, negotiating strategies and assessments of strategic value regarding potential Company acquisitions and dispositions. These skills were developed during his tenure at CNA, through his service on the advisory boards of a number of private equity firms, and through his involvement in the purchase or sale of more than 100 companies throughout his career.
Investment Management and Other Financial Expertise	Mr. Chookaszian provides in-depth financial expertise to the Audit Committee of the Board that is augmented by his knowledge of trends in financial reporting, financial regulation standard-setting and related global regulations. A national leader in the financial regulatory area, he served as the chairman of FASAC (Financial Accounting Standards Advisory Council) from January 1, 2007 to December 31, 2011. FASAC advises on issues related to projects on the FASB agenda. He is also a member of the Financial Crisis Advisory Group (*FCAG*), which advises the FASB and the International Accounting Standards Board about standard-setting implications of the recent global financial crisis and potential changes to the global regulatory environment. FCAG members are drawn from senior leaders throughout the world with broad experience in international financial markets and an interest in the transparency of financial reporting information. He has also served on many other accounting bodies, including the AICPA Group of 100, the FAS 95 Task Force, the FASB Financial Instruments Task Force, and the AICPA Insurance Industry Committee. Mr. Chookaszian also served as CFO of CNA Financial for 15 years.
Marketing	Mr. Chookaszian has an in-depth background in Internet marketing and has served on the board of directors of a number of firms involved in marketing to consumers and businesses. He has also been involved with a number of firms that provide consulting services to assist with Internet marketing.
Governance	Mr. Chookaszian brings to the Board in-depth knowledge and trend information regarding corporate governance, gained both from his experience on boards of very large and smaller public companies and his academic interest in corporate governance. He teaches corporate governance at the University of Chicago Booth School of Business, at Cheung Kong University in Beijing, China, and at IIPM University in India, and also teaches director education courses at Northwestern University s Kellogg Graduate School of Management.

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Expertise	***Attributes and Skills***
Digital Business and Information Technology	Mr. Chookaszian brings a wealth of information technology business experience to the Board which he gained throughout his career from his experience as a management consultant for eight years with Deloitte working on the design and development of major computer systems with a heavy emphasis on system controls and integration with enterprise financial systems, his role as chief information officer at CNA where he was directly involved in the selection of database technology and computer control infrastructure and his service on the board of directors of a number of firms involved in information technology services, as well as additional positions. This experience provides additional insight regarding the strengths and potential risks related to the Company s online programs and technology infrastructure.
Cyber Security	Mr. Chookaszian s experience as chief information officer and chief executive officer of CNA and as chief executive officer of an internet based financial advice provider where he was deeply involved in the design and development on the internet infrastructure and security systems of the application, coupled with additional insight gained from service on the board of directors of a number of information technology services companies, provides the Board with assistance in recognizing and developing strategies and processes to protect against security threats relating to the Company s technology infrastructure and the personally identifiable information maintained in the Company s systems.

Kenda B. Gonzales *Director since October 2016*

Ms. Gonzales, age 60, served as Chief Financial Officer of Harrison Properties LLC, a Phoenix based industrial real estate management company, from June 2007 until August 2017. Ms. Gonzales served as Chief Financial Officer of Apollo Group, Inc. (now known as Apollo Education Group, Inc.) from October 1998 to November 2006, as Senior Executive Vice President and Chief Financial Officer of UDC Homes Inc. from July 1996 to August 1998, and as Senior Vice President and Chief Financial Officer of Continental Homes Holding Corp. from May 1985 to July 1996. Ms. Gonzales began her career as a certified public accountant with Peat, Marwick, Mitchell and Company. She serves as a member of the Advisory Board of the Scottsdale Branch of the First Western Trust Bank and formerly served as an independent member and Chair of the Audit Committee of the board of directors of Main Street Restaurant Group, Inc., a former public company restaurant operator, from 2003 to 2006 and as the Chair of the Audit Committee (from 2010 to 2013) and Community Expert member (from 2009 to 2015) of the Arizona Board of Regents. Ms. Gonzales received a Bachelor of Accountancy degree from the University of Oklahoma and is a certified public accountant.

Expertise	***Attributes and Skills***
Educational Services and Related Legal and Regulatory Experience	Ms. Gonzales prior experience in the for-profit education industry provides knowledge and background important to fulfilling the role of a director of the Company.

Strategic Planning and Growth Initiatives	Ms. Gonzales is a senior financial executive with over 25 years of experience leading corporations through complex capital market transactions, mergers and acquisitions and reorganizations/turnarounds which provides additional insight and experience to the Board.

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Expertise	***Attributes and Skills***
Investment Management and Other Financial Expertise	Ms. Gonzales service in multiple financial roles adds significant financial and accounting expertise to the Board.

Patrick W. Gross *Director since December 2005*

Mr. Gross, age 73, has served as Chairman of The Lovell Group, a private business and technology advisory and investment firm, since 2002. Mr. Gross also was a founder and principal executive officer of American Management Systems, Inc., a computer applications software and systems integration firm, from 1970 to 2002. He became Chairman of its executive committee in 1982. He has served as chairman of the board of several companies owned by private equity firms. In addition, he served as Vice Chairman of Youth for Understanding International Exchange. Mr. Gross is currently a director of publicly-held Liquidity Services, Inc., an operator of several leading online auction marketplaces for surplus and salvage assets; Rosetta Stone, a leading provider of technology-based language learning solutions of which he is chairman of the board; and Waste Management, Inc., a leading provider of comprehensive waste management services. He has also served on the board of directors of Capital One Financial Corporation from 1995 to 2017, Computer Network Technology Corporation from 1997 to 2005, Mobius Management System, Inc. from 2002 to 2007, and Taleo Corporation from 2006 to 2012. He attended Cornell University and received a Bachelor of Engineering Science degree from Rensselaer Polytechnic Institute. Mr. Gross also earned a Master of Science in engineering from the University of Michigan and a Master of Business Administration from the Stanford Graduate School of Business.

Expertise	***Attributes and Skills***
Strategic Planning and Growth Initiatives	Mr. Gross has strong strategic planning expertise from his experience in founding and building numerous companies. He has particular expertise in leveraging information technology and advanced data analytics.
Investment Management and Other Financial Expertise	Mr. Gross background in financial reporting and financing of companies, both smaller NASDAQ companies and large multi-billion NYSE companies, provides him with extensive experience in planning and implementing financial management and other ERP systems.
Marketing	Mr. Gross brings to the Company extensive experience in direct marketing to consumers utilizing advanced data analytics.
Governance	Mr. Gross has a keen understanding of corporate governance initiatives and trends, practical methods of implementing corporate governance processes and best practices, and a focus on fiduciary responsibilities of directors and management, arising from his service as board chairman/lead director/presiding director of NYSE, NASDAQ and private companies and as chairman of audit, compensation and governance and nominating committees for a wide range of companies.

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Expertise	*Attributes and Skills*
Digital Business and Information Technology	Mr. Gross has been involved with the information technology business for more than four decades. He has been involved with applying evolving digital models and advanced analytics during this period. For more than 30 years, he led the application of advanced IT and analytics for major corporations and government agencies for the firm he co-founded. In addition, for the past 15 years Mr. Gross has advised and served on the boards of a number of information technology and data analytics firms providing, among others, internet commerce applications, software as a service, security software, advanced test-and-learn analytics and propriety marketing data and analytics.
Cyber Security	Based on the foundation of his experience in information technology and his service on the boards of an information access security company and an email security firm, Mr. Gross has gained insight into the board oversight of cyber security from his service on the boards and risk committees of a major financial institution, a large national logistics and distribution firm and others. With this background, he provides the Board with insight and assistance in recognizing and developing strategies and processes to protect against security threats relating to the Company s technology infrastructure and the personally identifiable information maintained with the Company s databases.

William D. Hansen *Director since November 2017*

Mr. Hansen, age 58, has served as Chief Executive Officer and President of Strada Education Network, formerly called USA Funds, a national nonprofit dedicated to improving lives by strengthening the pathways between education and employment since July 2013. From July 2011 through July 2013, Mr. Hansen served as the Chief Executive Officer of Madison Education Group, LLC, an education-related consulting firm. From July 2009 to December 2010, he served as the President of Scantron Corporation, a provider of assessment and survey solutions. Mr. Hansen also served as the Chairman of Scantron Corporation from September 2010 to July 2011. Mr. Hansen held various leadership positions at Chartwell Education Group, LLC, an education-related consulting firm, from July 2005 to July 2009, including Chief Executive Officer and Senior Managing Director. Mr. Hansen served as the Deputy Secretary at the U.S. Department of Education from May 2001 to July 2003. He has served as a director of Performant Financial, a public company providing technology-enabled recovery and analytics services, since December 2011. He also served as a director of the First Marblehead Corporation, a then public specialty finance company focused on the education financing marketplace, from 2003 until that company was acquired in 2016. Mr. Hansen received a Bachelor of Science degree in Economics from George Mason University.

Expertise	*Attributes and Skills*
Educational Services and Related Legal and Regulatory Experience	Mr. Hansen served for 15 years in the federal government, most of which was at the Department of Education where he served in key leadership positions overseeing the financial, regulatory and policy operations of the Department. This experience brings helpful regulatory perspective to the Board.

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Expertise	*Attributes and Skills*
Strategic Planning and Growth Initiatives	Serving as the principal executive officer of several education-related companies, Mr. Hansen was responsible for the success and growth of those companies. He has also served as a director on multiple education-related companies, both public and private, over the past 15 years. The Board benefits from the insight gained from these positions.
Investment Management and Other Financial Expertise	As chief executive officer of Strada Education Network, Mr. Hansen manages a company portfolio of $1.4 billion. This experience, as well as his experience serving on public company audit committees and as assistant secretary for management and budget and chief financial officer at the Department of Education, supplements the Board s investment management expertise.
Governance	Mr. Hansen has obtained a variety of governance perspectives to share with the Board through his positions as president and chairman of Scantron Corporation where he was responsible to a public holding company for governance matters, chief executive officer of Strada Education Network where he is responsible for governance issues with the board of directors, chair of several governance and nominating committees, and president and chairman of several private companies where he was responsible for board and investor relations.

Gregory L. Jackson *Director since November 2008*

Mr. Jackson, age 51, is a private investor. From January 2013 to December 2017 he was a managing partner with Jackson Park Capital, LLC and co-manager of Oakseed Opportunity Fund (an SEC registered Equity Mutual Fund). From January 2011 to April 2012, he was a senior portfolio manager with Ensign Peak Advisors. Prior to that time, Mr. Jackson was an investment partner of Blum Capital Partners, L.P., which he joined in 2003, and where he had served as Co-Head of its Investment Committee, a member of its affiliate, Blum Strategic GP, L.L.C., and managing member of each of the following affiliates: Blum Strategic GP II, L.L.C., Blum Strategic GP III, L.L.C., and Blum Strategic GP IV, L.L.C. His responsibilities at Blum Capital Partners included sourcing new investment opportunities, managing Blum Capital s investment portfolios, and overseeing the investment research process. Prior to joining Blum Capital, Mr. Jackson spent six years at Harris Associates LP where he was the co-portfolio manager of the Oakmark Global Fund (which received a Morningstar 5-star rating during his tenure) from its inception in August 1999 through October 2003. He also was a partner at Harris Associates LP and an investment analyst of domestic equities. Prior to joining Harris Associates LP, he was a partner, portfolio manager and investment analyst with Yacktman Asset Management. Mr. Jackson received a Bachelor of Science degree from the University of Utah and his Master of Business Administration from the University of Chicago.

Expertise	*Attributes and Skills*
Educational Services and Related Legal and Regulatory Experience	Mr. Jackson has an extensive background in analyzing and investing in the for-profit education industry, having worked closely with the managements and boards of directors of Blum s portfolio companies to increase stockholder value by partnering with these companies to implement various financial, operational and governance initiatives. This experience enables him to bring to the Board deep knowledge of

the industry and insights into linkages between various aspects of the Company s business and stockholder value creation.

Expertise	*Attributes and Skills*
Strategic Planning and Growth Initiatives	Mr. Jackson s role as a director at portfolio companies has focused on strategic growth and planning for public companies, which experience Mr. Jackson uses to assist the Board in its strategic planning activities. Mr. Jackson also has an extensive background in analyzing and investing in the for-profit education industry and provides the Board with investors views on education industry fundamentals and increasing stockholder value.
Investment Management and Other Financial Expertise	Mr. Jackson, as a career investment manager, brings the perspective of investors and his experience in analyzing businesses and developing investment strategy to the Company.

Thomas B. Lally *Director since January 1998*

Mr. Lally, age 74, has served as Chairman of the Board since October 26, 2015, and served as Lead Director of the Board from February 2015 until his appointment as Chairman. Mr. Lally served as the President of Heller Equity Capital Corporation from August 1995 until his retirement in October 2001. He also was an Executive Vice President of Heller Financial, Inc. and Chairman of its Executive Credit Committee since April 1995, with direct responsibility for the asset quality oversight of its portfolio of loan and equity investments. Mr. Lally joined Heller Financial, Inc. in 1974. Mr. Lally also served on the board of trustees of Briarcliffe College, one of the Company s institutions, from January 2011 until October 2015. Mr. Lally received a Bachelor of Business Administration degree from Pace University.

Expertise	*Attributes and Skills*
Educational Services and Related Legal and Regulatory Experience	Mr. Lally s service as a member of the Board of Trustees of Briarcliffe College, one of the Company s institutions, provided him with enhanced knowledge of the processes and oversight requirements necessary to the effective execution of the Company s educational mission.
Strategic Planning and Growth Initiatives	Mr. Lally provides the Board with strategic insights into planning and implementing growth and value creation for stockholders.
Investment Management and Other Financial Expertise	Mr. Lally s extensive experience at Heller equipped him with the financial skills necessary to evaluate investments in other companies or in various aspects of the Company s business. He provides the Board with a broad overview of many business ventures with differing business models and growth strategies that informs the Board s analyses about the Company s options.
Governance	Mr. Lally s interest and focus on corporate governance matters facilitates the Board s development and review of corporate governance initiatives and the fulfillment of its corporate governance responsibilities.

Todd S. Nelson *Director since August 2015*

Mr. Nelson, age 59, has served as President and Chief Executive Officer of the Company since August 2015. Prior to joining the Company, Mr. Nelson served as a director of Education Management Corporation from February 2007 through November 2013, including serving as Chairman of the Board of Directors from August 2012 until November 2013. He was also Education Management Corporation s Chief Executive Officer from February 2007 to August 2012, and its President from February 2007 to December 2008. Mr. Nelson worked as an independent consultant after departing Education Management Corporation and from January 2006 through

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January 2007. Mr. Nelson worked for Apollo Group, Inc. (now known as Apollo Education Group, Inc.) from 1987 through January 2006. Mr. Nelson served in various roles with Apollo Group, Inc., including serving as President from February 1998 until January 2006, Chief Executive Officer from August 2001 until January 2006, and Chairman of the Board from June 2004 until January 2006. Mr. Nelson was a member of the faculty at the University of Nevada at Las Vegas from 1983 to 1984. Mr. Nelson received a Bachelor of Science degree in marketing from Brigham Young University and his Master of Business Administration from the University of Nevada.

Expertise	***Attributes and Skills***
Educational Services and Related Legal and Regulatory Experience	Mr. Nelson s career has focused on the for-profit education industry for nearly 30 years, which brings the Board his valuable and comprehensive understanding of the Company and the industry in which it operates.
Strategic Planning and Growth Initiatives	Mr. Nelson has experienced and led strategic growth initiatives during his prior industry positions, which provides insight and perspective as the Company implements its transformation strategy and seeks a return to sustainable growth.

Leslie T. Thornton *Director since December 2005*

Ms. Thornton, age 59, served as Lead Independent Director of the Board from October 2011 through May 2013. Ms. Thornton has been Vice President and General Counsel of WGL Holdings, Inc. (*WGL*) and Washington Gas Light Company, a wholly-owned subsidiary of WGL, since January 2012, having joined WGL as Counsel to the Chairman in November 2011. WGL, a public retail gas and electric marketing firm and a design-build energy company, operates a regulated natural gas utility serving more than one million customers throughout metropolitan Washington, D.C., Virginia, Maryland and Pennsylvania. Prior to joining the Company, Ms. Thornton served as a partner with the law firm of Dickstein Shapiro LLP in Washington D.C. from 2004 until 2011 and as a partner with the law firm of Patton Boggs, LLP from 2000 to 2004. Beginning with the Presidential Transition of 1992 and until 2000, Ms. Thornton worked with U.S. Secretary of Education Richard W. Riley, first as Deputy Chief of Staff and Counselor, and then as Chief of Staff at the U.S. Department of Education. Ms. Thornton was also in charge of Continuity of Operations of Government for the Department of Education. Ms. Thornton holds a Bachelor of Arts degree from the University of Pennsylvania and a law degree from Georgetown University Law Center. In 2016, Ms. Thornton received her LLM in National Security Law at Georgetown University Law Center.

Expertise	***Attributes and Skills***
Educational Services and Related Legal and Regulatory Experience	Ms. Thornton is knowledgeable in the legislative and regulatory aspects of postsecondary education from the policy and legal perspectives. She provides insight and strategic advice regarding trends and issues involved in the federal oversight of both public and private postsecondary educational institutions and providers.

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Expertise	*Attributes and Skills*
Governance	Ms. Thornton provides the Board with expertise in governance from the standpoint of corporate legal compliance and corporate process controls to assist in assuring such compliance. She developed that expertise in her legal practice, which focused on counseling large corporations in complex internal corporate investigations, federal agency and congressional investigations, regulatory matters before federal government agencies, state attorneys general investigations and high-level executive branch policy and political work. She continues to develop such expertise in her capacity as general counsel of WGL. In addition, Ms. Thornton is a National Association of Corporate Directors (*NACD*) Board Leadership Fellow. She has demonstrated her commitment to boardroom excellence by completing NACD s comprehensive program of study for corporate directors and also by participating in several NACD panels as a subject matter expert in cyber security.
Cyber Security	In her position at WGL, Ms. Thornton has gained experience regarding cyber threats and other cyber security matters, including data breaches, which provides the Board with a valuable resource on these topics. Ms. Thornton co-authored a treatise chapter on privacy and security in the 2013 Thomson Reuters/WestLaw series entitled Successful Partnering Between Inside and Outside Counsel, is a requested speaker on these issues and has been quoted in news outlets on the topic. She also completed her master of laws degree in National Security Law (with a cyber security focus) at Georgetown Law School in 2016.

Richard D. Wang *Director since March 2015*

Mr. Wang, age 43, has served as co-founder and managing member at Tenzing Global Investors LLC, an equity investment firm, since its formation in 2011. From 2009 until 2010, he served as a Portfolio Manager at Green Arrow Capital, an affiliate of institutional alternative asset manager Millennium Management. From 2004 until 2009, he served as an Analyst, Managing Director and Head of Consumer and Retail Sectors at Och-Ziff Capital Management, an institutional alternative asset manager. From 2000 to 2002, Mr. Wang was an Associate at The Pritzker Organization, the merchant banking arm for the Pritzker family of Chicago. From 1997 to 2000, he was an Associate Consultant at L.E.K. Consulting, the strategic consulting and mergers and acquisitions advisory firm. Mr. Wang received a Bachelor of Arts degree in Economics from The University of Chicago and a Master of Business Administration from Stanford Graduate School of Business.

On March 10, 2015, the Company entered into an agreement (the *Tenzing Agreement*) with Tenzing Global Management LLC (*Tenzing Global Management*), Tenzing Global Investors LLC, Tenzing Global Investors Fund I LP and Richard D. Wang (collectively, *Tenzing Global*). Tenzing Global beneficially owns, in the aggregate, 1,900,721 shares of the Company s common stock (or approximately 2.7% of the outstanding common stock). Pursuant to the Tenzing Agreement, on March 10, 2015, the Company (i) appointed Mr. Wang to the Board, with a term expiring at the 2015 Annual Meeting of Stockholders, and (ii) nominated Mr. Wang to stand for election as a director at the 2015 Annual Meeting. In connection with its entering into the Tenzing Agreement, Tenzing Global agreed, among other things, that Mr. Wang will tender his resignation from the Board and any committee of the Board on which he then sits if Tenzing Global disposes of any securities and following such disposition Tenzing Global ceases to beneficially own, in the aggregate, at least 2% of the Company s outstanding common stock.

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Expertise	*Attributes and Skills*
Strategic Planning and Growth Initiatives	Mr. Wang s varied experience focusing on companies at Tenzing Global complements and enhances the Board s discussions around ways to continue moving Career Education along a path toward sustained financial strength and excellent outcomes for students.
Investment Management and Other Financial Expertise	Mr. Wang s investment management expertise gained at Tenzing Global and Och-Ziff Capital brings new and fresh perspectives from the investment community to our Board.

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PROPOSAL 2: Advisory Vote to Approve Executive Compensation

Under the Dodd-Frank Wall Street Reform and Consumer Protection Act enacted in July 2010 (the *Dodd-Frank Act*), the Company s stockholders are entitled to vote at the Annual Meeting to approve the compensation of the Company s named executive officers, as disclosed in the proxy statement pursuant to Item 402 of Regulation S-K under the Exchange Act. The Dodd-Frank Act provides that this vote is advisory only and it is not binding on the Company or the Board of Directors. This vote is not intended to address any specific item of compensation, but rather our overall compensation policies and procedures relating to our named executive officers. Accordingly, your vote will not directly affect or otherwise limit any existing compensation or award arrangement of any of our named executive officers. Because your vote is advisory, it will not be binding upon the Board of Directors. The Board of Directors and Compensation Committee will, however, take into account the outcome of the Say-on-Pay vote when considering future compensation arrangements. The Company is providing this vote as required pursuant to Section 14A of the Exchange Act. The Board of Directors determined that the Company will hold a non-binding stockholder advisory vote to approve executive compensation on an annual basis until the next required vote on the frequency of such non-binding stockholder advisory vote or until the Board of Directors otherwise determines that a different frequency for such vote is in the best interests of the Company s stockholders.

Accordingly, stockholders are being asked to vote at the Annual Meeting to approve our executive compensation policies and procedures for the named executive officers, as described in the Compensation Discussion and Analysis as included in this Proxy Statement. This proposal, commonly known as a Say-on-Pay proposal, gives you as a stockholder the opportunity to endorse or not endorse our 2017 executive compensation programs and policies for the named executive officers through the following resolution:

RESOLVED, that the compensation paid to the Company s named executive officers, as disclosed pursuant to Item 402 of Regulation S-K, including the Compensation Discussion and Analysis, compensation tables and narrative discussion, is hereby APPROVED.

The Company s compensation philosophy is designed to link each named executive officer s compensation with the Company s short-term and long-term performance and to align the interests of executives and stockholders. The Compensation Committee designs the Company s short and long-term incentive programs so that upside and downside compensation potential exists based on the Company s performance against pre-defined objectives. Consistent with this philosophy, a significant portion of the total compensation opportunity for each of our executives is directly related to the Company s financial performance and to other performance factors that measure our progress against the goals of our strategic and operating plans.

Stockholders are urged to read the Compensation Discussion and Analysis section of this Proxy Statement, which discusses how our compensation policies and procedures implement our compensation philosophy. The Compensation Committee and the Board of Directors believe that these policies and procedures are effective in implementing our compensation philosophy and in achieving its goals.

The Board of Directors recommends a vote FOR the approval, on an advisory basis, of the executive compensation paid by the Company to its named executive officers.

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PROPOSAL 3: Ratification of Selection of Independent Registered Public Accounting Firm

The Audit Committee has selected Grant Thornton LLP as the Company s independent registered public accounting firm to audit our financial statements for 2018. The Company is asking you to ratify that appointment. The Audit Committee, as required by law, is directly responsible to appoint the Company s independent registered public accounting firm. Its appointment of Grant Thornton LLP will not be affected by the outcome of the vote. However, the Audit Committee will consider the voting results when selecting the Company s independent registered public accounting firm for 2019. Even if the selection is ratified, the Audit Committee, in its discretion, may select a different independent registered public accounting firm at any time during the year if the Audit Committee determines that such a change would be in the Company s and its stockholders best interests.

Proxies will be voted for the ratification of the selection of Grant Thornton LLP as the Company s independent registered public accounting firm for 2018 unless the proxy indicates a contrary choice. Any proxy indicating a contrary choice will be voted as directed. Grant Thornton LLP representatives will be present at the Annual Meeting and may make a statement if Grant Thornton LLP would like to do so. They will also be available to respond to appropriate questions.

The Board of Directors recommends a vote FOR ratifying the selection of Grant Thornton LLP as the Company s independent registered public accounting firm for 2018.

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OTHER INFORMATION

Security Ownership of Directors and Executive Officers

The following table sets forth certain information about the beneficial ownership of our common stock by each of our directors and named executive officers, as well as all of our directors and executive officers as of April 3, 2018 as a group.

	Common Stock Beneficially Owned as of April 3, 2018				
Name	Shares of Common Stock Owned	Subject to RSUs Vesting Within 60 Days(1)	Subject to Stock Options Exercisable Within 60 Days	Total Number of Shares Beneficially Owned(2)	Percent of Shares Beneficially Owned
Directors (3)					
Dennis H. Chookaszian	7,000(5)	14,619	167,793	189,412	*
Kenda B. Gonzales			9,308	9,308	*
Patrick W. Gross	3,400	14,619	167,793	185,812	*
William D. Hansen					*
Gregory L. Jackson	23,672	14,619	167,793	206,084	*
Thomas B. Lally	20,000(6)	14,619	167,793	202,412	*
Leslie T. Thornton	5,000	14,619	167,793	187,412	*
Richard D. Wang	1,850,000(7)	2,928	47,793	1,900,721	2.73%
Named Executive Officers					
Todd S. Nelson	93,265		367,799	461,064	*
Ashish R. Ghia	28,461			28,461	*
Jeffrey D. Ayers	62,639		308,327	370,966	*
Andrew H. Hurst	50,010		71,595	121,605	*
John R. Kline	40,316		34,833	75,149	*
Andrew J. Cederoth (8)					*
All directors and executive officers as a group (15 persons (4))	2,266,645	76,023	1,726,363	4,069,031	5.70%

* Denotes beneficial ownership of less than one percent.

(1) Amounts in this column for directors (other than Mr. Nelson) are vested deferred stock units, with each vested deferred stock unit representing the right to receive one share of common stock upon termination of service to the Company.

(2) Beneficial ownership is determined in accordance with the rules of the SEC. Under these rules, the number of shares beneficially owned by a person and the percentage ownership of that person includes shares of common

stock that the person can vote or transfer, as well as shares that person has the right to acquire within 60 days of April 3, 2018, such as through the exercise of options or upon the vesting of restricted stock units.

(3) Except for Mr. Nelson, whose beneficial ownership is provided under Named Executive Officers in the table above.

(4) Excludes Mr. Cederoth as he did not serve as an executive officer or director of the Company on April 3, 2018.

(5) Indirect by spouse.

(6) Joint with spouse.

(7) Includes 1,293,448 shares of common stock held by Tenzing Global Investors Fund I LP (*Fund I*), and 556,552 shares of common stock held by accounts managed by Tenzing Global Management LLC on a discretionary basis (the *Parallel Account*). Tenzing Global Management LLC is the investment advisor of Fund I. Mr. Wang is the Managing Member of Tenzing Global Management LLC, and may be deemed to share voting and investment power over the shares held of record by each of Fund I and the Parallel Account. Mr. Wang disclaims beneficial ownership of all shares held by Fund I and the Parallel Account except to the extent of his pecuniary interest therein. The shares held by Fund I and the Parallel Account are held in prime brokerage margin accounts.

(8) Based on the most recent information available to the Company.

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Security Ownership of Principal Stockholders

The following table shows the amount of our common stock owned by holders known to us to beneficially own more than 5% of our outstanding common stock at April 3, 2018. For this table, beneficial ownership means the right to direct the voting or sale of shares, even if those rights are shared with others. Beneficial ownership was determined as of April 3, 2018.

Name and Address	Number of Shares Beneficially Owned	Percent of Shares Beneficially Owned
BlackRock, Inc. (1) 55 East 52nd Street, New York, NY 10055	8,413,987	12.09%
Frontier Capital Management Co., LLC (2) 99 Summer Street, Boston, MA 02110	6,836,624	9.82%
Renaissance Technologies LLC (3) 800 Third Avenue, New York, NY 10022	4,193,362	6.02%
Dimensional Fund Advisors LP (4) Building One, 6300 Bee Cave Road, Austin, TX 78746	4,346,744	6.24%
The Vanguard Group (5) 100 Vanguard Blvd., Malvern, PA 19355	3,534,476	5.08%

(1) As reported on a Schedule 13G/A filed with the SEC on January 19, 2018 by BlackRock, Inc. on behalf of itself and certain of its subsidiaries. BlackRock, Inc. reported sole voting power with respect to 8,253,588 of these shares and sole dispositive power with respect to all of these shares.

(2) As reported on a Schedule 13G/A filed with the SEC on February 7, 2018 by Frontier Capital Management Co., LLC, which reported sole voting power with respect to 3,243,044 shares and sole dispositive power with respect to all of these shares.

(3) As reported on a Schedule 13G/A filed with the SEC on February 14, 2018 by Renaissance Technologies LLC and Renaissance Technologies Holdings Corporation, which reported sole voting power with respect to 4,180,100 shares, sole dispositive power with respect to 4,186,496 shares and shared dispositive power over 6,866 shares.

(4) As reported on a Schedule 13G filed with the SEC on February 9, 2018 by Dimensional Fund Advisors LP, which reported sole voting power with respect to 4,112,110 shares and sole dispositive power with respect to 4,346,744 shares.

(5) As reported on a Schedule 13G filed with the SEC on February 8, 2018 by The Vanguard Group, which reported sole voting power with respect to 75,380, sole dispositive power with respect to 3,460,060, shared voting power with respect to 6,068 and shared dispositive power with respect to 74,416 shares.

Section 16(a) Beneficial Ownership Reporting Compliance

Section 16(a) of the Exchange Act requires our executive officers (as defined under Section 16), directors and persons who beneficially own greater than 10% of a registered class of our equity to file reports of equity ownership and changes in that ownership with the SEC. Based solely on a review of the forms we have received and on written representations from certain reporting persons that no additional forms were required for them, we believe that in 2017 our executive officers, directors and greater-than-10% beneficial owners complied with all applicable Section 16(a) filing requirements.

Discretionary Proxy Voting Authority/Untimely Stockholder Proposals

Rule 14a-4(c) promulgated under the Exchange Act governs the Company s use of its discretionary proxy voting authority regarding a stockholder proposal that the stockholder has not sought to include in the Company s proxy statement. Under the rule, if a stockholder fails to notify the Company of its proposal before the date established by the Notice Provision, then the management proxies will be allowed to use their discretionary voting authority when the proposal is raised at the meeting. In addition, if the Company receives timely notice of a stockholder proposal in connection with an annual meeting of stockholders that does not include all of the information required by Rule 14a-4(c) promulgated under the Exchange Act, the proposal will be considered timely but deficient, and the Company s proxy statement may confer discretionary authority for the proposal if the Company includes in its proxy statement advice on the nature of the matter and how the Company intends to exercise its discretion to vote on the matter.

Proposals of Stockholders

In accordance with Rule 14a-8 promulgated under the Exchange Act, proposals of stockholders intended to be considered for inclusion in the Company s proxy statement and proxy for the 2018 Annual Meeting of Stockholders must be received by the Corporate Secretary of the Company not less than 120 days prior to April 17, 2019. In addition, Article II, Section 2.5 of the Company s By-Laws (the *Notice Provision*) provides that for business to be properly brought before an annual meeting by a stockholder, the stockholder must deliver written notice to, or mail the notice so that it is received by, the Corporate Secretary of the Company at the principal executive offices of the Company not less than 90 days nor more than 120 days prior to the first anniversary of the date of the previous year s annual meeting of stockholders. Proposals of stockholders intended to be considered at the Company s 2019 Annual Meeting of Stockholders must be received by the Corporate Secretary of the Company not less than 90 days nor more than 120 days prior to May 31, 2019.

In addition to other requirements included in the Company s By-Laws, nominations of a person for election to the Board by stockholders must specify the name of the nominee and other information of such nominee that is required to be disclosed in solicitations of proxies for election of directors, or otherwise, along with the written consent of the nominee to being named in the proxy statement as a nominee and to serving as a director if elected. In connection with any stockholder nomination, as set forth in the Company s By-Laws, the nominating stockholder must also provide additional information as to the stockholder giving notice, and, if applicable, each nominee proposed by the stockholder, including any material interest of such person in such nomination, information regarding beneficial ownership of securities of the Company, a representation that the stockholder giving notice intends to appear in person or by proxy at the annual meeting of stockholders to nominate the person(s) named in the notice, and whether the stockholder intends to deliver a proxy statement and form of proxy in connection with such nomination to holders of the Company s voting securities reasonably believed by such stockholder to be sufficient to elect such nominee(s).

Additional Information

We will furnish a copy of the Company s Annual Report on Form 10-K for its year ended December 31, 2017, as filed with the SEC, including the financial statements and notes thereto included therein, without charge upon the written request of any person who is a stockholder as of the Record Date. We will provide free copies of the exhibits to the Form 10-K. Direct your requests for these materials to Career Education Corporation, 231 North Martingale Road, Schaumburg, Illinois 60173, Attention: Investor Relations Department. You can also obtain this information in electronic form free of charge by accessing the Company s website at *www.careered.com* under the caption Investor Relations.

Cost of Solicitation

CEC will pay the cost of this proxy solicitation. We have retained Georgeson LLC, a professional proxy solicitation firm, at an estimated cost of $16,500 plus reimbursement of expenses to assist in soliciting proxies from brokers, nominees, institutions and individuals. Georgeson LLC may solicit votes personally or by telephone, mail, or other electronic means. We may also request banks, brokers, fiduciaries, custodians, nominees and certain other record holders to send proxies, proxy statements and other materials to their principals at our expense. We will reimburse nominees and record holders for the reasonable out-of-pocket expenses of solicitation. In addition to solicitation of proxies by mail, our directors, officers or other employees may solicit proxies through personal conversations, or by telephone, facsimile or electronic means, but will not receive any compensation for these services.

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CAREER EDUCATION CORPORATION
ATTN:MICHELE CHAFFEE

231 N MARTINGALE ROAD

SCHAUMBURG, IL 60173

VOTE BY INTERNET - www.proxyvote.com
Use the Internet to transmit your voting instructions and for electronic delivery of information up until 11:59 P.M. Eastern Time the day before the cut-off date or meeting date. Have your proxy card in hand when you access the web site and follow the instructions to obtain your records and to create an electronic voting instruction form.

ELECTRONIC DELIVERY OF FUTURE PROXY MATERIALS
If you would like to reduce the costs incurred by our company in mailing proxy materials, you can consent to receiving all future proxy statements, proxy cards and annual reports electronically via e-mail or the Internet. To sign up for electronic delivery, please follow the instructions above to vote using the Internet and, when prompted, indicate that you agree to receive or access proxy materials electronically in future years.

VOTE BY PHONE - 1-800-690-6903
Use any touch-tone telephone to transmit your voting instructions up until 11:59 P.M. Eastern Time the day before the cut-off date or meeting date. Have your proxy card in hand when you call and then follow the instructions.

VOTE BY MAIL
Mark, sign and date your proxy card and return it in the postage-paid envelope we have provided or return it to Vote Processing, c/o Broadridge, 51 Mercedes Way, Edgewood, NY 11717.

VOTE, MARK BLOCKS BELOW IN BLUE OR BLACK INK AS
LOWS:

KEEP THIS PORTION FOR YOUR RECORDS
DETACH AND RETURN THIS PORTION ONLY

IS PROXY CARD IS VALID ONLY WHEN SIGNED AND DATED.

The Board of Directors recommends you vote FOR the following:

1. Election of Directors

Nominees	For	Against	Abstain
1A Dennis H. Chookaszian			
1B Kenda B. Gonzales			
1C Patrick W. Gross			
1D William D. Hansen			
1E Gregory L. Jackson			
1F Thomas B. Lally			
1G Todd S. Nelson			
1H Leslie T. Thornton			
1I Richard D. Wang			

	For	Against	Abstain
The Board of Directors recommends you vote FOR proposal 2.	**For**	**Against**	**Abstain**
2. Advisory Vote to Approve Executive Compensation Paid by the Company to its Named Executive Officers.			
The Board of Directors recommends you vote FOR proposal 3.	**For**	**Against**	**Abstain**
3. Ratification of the appointment of Grant Thornton LLP as the Company s independent registered public accounting firm for the year ended December 31, 2018.			

NOTE: Such other business as may properly come before the meeting or any adjournment thereof.

Please sign exactly as your name(s) appear(s) hereon. When signing as attorney, executor, administrator, or other fiduciary, please give full title as such. Joint owners should each sign personally. All holders must sign. If a corporation or partnership, please sign in full corporate or partnership name by authorized officer.

Signature [PLEASE SIGN WITHIN BOX]	Date	Signature (Joint Owners)	Date

Important Notice Regarding the Availability of Proxy Materials for the Annual Meeting: The Notice & Proxy Statement, Form 10-K is/are available at www.proxyvote.com.

CAREER EDUCATION CORPORATION
Annual Meeting of Stockholders
May 31, 2018 9:00 AM
This proxy is solicited by the Board of Directors

The undersigned hereby appoints Jeffrey D. Ayers and Michele R. Chaffee and each of them, as proxies, with full power of substitution and revocation, to vote, as designated on the reverse side hereof and in such proxyholder s or proxyholders judgment upon any other matters that may properly come before the Annual Meeting, all the Common Stock of Career Education Corporation which the undersigned has power to vote, with all powers which the undersigned would possess if personally present, at the Annual Meeting of Stockholders thereof to be held on May 31, 2018 or at any adjournment or postponement thereof. The Annual Meeting of Stockholders will be held on May 31, 2018, beginning at 9:00 a.m., Central Daylight Saving Time, at the campus support center at Career Education Corporation, 231 North Martingale Road, Schaumburg, Illinois 60173. To obtain directions to attend the 2018 Annual Meeting and vote in person, you may call our Investor Relations support team at Alpha IR Group at (312) 445-2870. The undersigned hereby revokes ALL previous proxies given to vote at the 2018 Annual Meeting or at any adjournment or postponement thereof. **Unless otherwise marked, this proxy will be voted FOR the election of the nominees named in Proposal 1, FOR Proposal 2 and FOR Proposal 3. In addition, this proxy confers discretionary authority to the persons named as proxies herein to vote, in their sole discretion, on any other matters that may properly come before the Annual Meeting to the extent permitted by Rule 14a - 4(c) of the Securities Exchange Act of 1934, as amended.** Proposals 1, 2 and 3 are being proposed by Career Education Corporation.

Continued and to be signed on reverse side