

CAREER EDUCATION CORP
Form DEF 14A
March 25, 2009

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

SCHEDULE 14A INFORMATION

Proxy Statement Pursuant to Section 14(a) of
the Securities Exchange Act of 1934 (Amendment No.)

Filed by the Registrant

Filed by a Party other than the Registrant

Check the appropriate box:

Preliminary Proxy Statement

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

Definitive Proxy Statement

Definitive Additional Materials

Soliciting Material Pursuant to §240.14a-12

Career Education Corporation

(Name of Registrant as Specified In Its Charter)

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

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CAREER EDUCATION CORPORATION
ANNUAL MEETING OF STOCKHOLDERS

April 30, 2009

NOTICE AND PROXY STATEMENT

March 25, 2009

Dear Stockholder:

I cordially invite you to attend our 2009 Annual Meeting of Stockholders on April 30, 2009. The annual meeting will start promptly at 9:00 a.m. at the Renaissance Schaumburg Hotel & Convention Center, 1551 Thoreau Drive North, Schaumburg, Illinois 60173.

The attached Notice of Annual Meeting and Proxy Statement describe how our Board of Directors operates, provide biographical information on our director nominees, give information for the voting matters to be acted upon at the Annual Meeting and explain the proxy voting process.

Whether or not you plan to attend the Annual Meeting, it is important that your shares be represented and voted. Please take a moment now to vote your shares, by Internet, toll-free telephone call or by signing and dating the enclosed proxy card and returning it in the envelope provided.

We look forward to seeing you on April 30, 2009, and urge you to vote as soon as possible.

Sincerely,

GARY E. MCCULLOUGH
President and Chief Executive Officer

NOTICE OF ANNUAL MEETING OF STOCKHOLDERS OF CAREER EDUCATION CORPORATION

TO BE HELD ON APRIL 30, 2009

Time: Registration begins: 8:00 a.m. Central Daylight Saving Time

Admission to the meeting: 8:45 a.m. Meeting begins: 9:00 a.m.

Date: April 30, 2009

Place: Renaissance Schaumburg Hotel & Convention Center
1551 Thoreau Drive North
Schaumburg, Illinois 60173

To the Stockholders of

Career Education Corporation:

We will hold our 2009 Annual Meeting of Stockholders at the time, date and location specified above, to act and vote on the following matters:

- (1) To elect nine directors of Career Education Corporation;
- (2) To ratify the selection of Ernst & Young LLP as the independent registered public accounting firm to audit CEC's financial statements for the year ended December 31, 2009; and
- (3) To consider any other business or matter that is properly raised at the meeting or at any adjournments or postponements of the meeting.

Only stockholders of record at the close of business on March 18, 2009, the record date, are entitled to notice of and to vote at the meeting. Please contact Georgeson Inc., our proxy solicitation firm, toll-free at (888) 206-5970 if you have any questions regarding voting or to request another copy of our Summary Annual Report 2008, Annual Report on Form 10-K for the year ended December 31, 2008, Proxy Statement or proxy card.

By order of the Board of Directors,

Jeffrey D. Ayers

Corporate Secretary

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Hoffman Estates, Illinois

March 25, 2009

We urge you to attend the meeting in person or by proxy. Whether or not you expect to attend the meeting, please vote your shares promptly. To vote your shares, use the Internet or call the toll-free telephone number as described in the instructions on your proxy card, or sign, date and return the enclosed proxy card in the pre-addressed postage-paid envelope provided.

Career Education Corporation

2895 Greenspoint Parkway

Suite 600

Hoffman Estates, Illinois 60169

(847) 781-3600

PROXY STATEMENT

Why did I receive these proxy materials?

Career Education Corporation (CEC, the Company, we, us or our) is holding our 2009 Annual Meeting of Stockholders on April 30, 2009. You have received these materials in connection with the 2009 Annual Meeting.

You are invited to attend our 2009 Annual Meeting of Stockholders on April 30, 2009, beginning at 9:00 a.m., Central Daylight Saving Time. The Annual Meeting will be held at the Renaissance Schaumburg Hotel & Convention Center, 1551 Thoreau Drive North, Schaumburg, Illinois 60173.

This Notice of Annual Meeting of Stockholders, Proxy Statement and accompanying form of proxy are being mailed to stockholders starting on or about March 25, 2009.

Who is entitled to vote at the Annual Meeting?

Stockholders of CEC, as recorded in our stock transfer records as of the close of business on March 18, 2009 (the Record Date) are entitled to vote at the 2009 Annual Meeting.

Outstanding Shares

As of the Record Date, CEC had outstanding 88,039,881 shares of common stock. Each outstanding share of common stock is entitled to one vote on each voting matter at the Annual Meeting.

Who can attend the Annual Meeting?

All stockholders as of the Record Date, or their duly appointed proxies, may attend the 2009 Annual Meeting. Stockholders will be admitted to the meeting beginning at 8:45 a.m., Central Daylight Saving Time. Seating will be limited.

What do I need to present for admission to the Annual Meeting?

You will need to present proof of your ownership of CEC common stock, such as a bank or brokerage account statement, and a form of personal identification, to be admitted to the Annual Meeting. **No cameras, recording equipment, large bags, briefcases or packages will be permitted at the 2009 Annual Meeting. All electronic devices will need to be turned off during the 2009 Annual Meeting.**

What is the difference between holding shares as a stockholder of record and as a beneficial owner?

You hold shares as a stockholder of record if your shares are registered directly in your name in our stock transfer records, which are managed by Computershare Trust Company, N.A., our transfer agent. As a stockholder of record, CEC sends the Notice of Annual Meeting of Stockholders, Proxy Statement and CEC's proxy card directly to you.

You hold shares as a beneficial owner if your shares are held in a stock brokerage account or by a bank or other holder of record. Your broker, bank or other holder of record forwards the Notice of Annual Meeting of Stockholders, Proxy Statement and that holder of record's voting instruction form to you. As the beneficial

owner, you direct your broker, bank or other holder of record how to vote your shares by using the voting instruction form included in the mailing or by following the instructions for voting by telephone or on the Internet.

How do proxies work?

Our Board of Directors is asking you to appoint Jeffrey D. Ayers and Gail B. Rago as your proxy holders to vote your shares at the 2009 Annual Meeting. Mr. Ayers is our Senior Vice President, General Counsel and Corporate Secretary, and Ms. Rago is our Vice President, Associate General Counsel - Corporate and Assistant Corporate Secretary.

You appoint these individuals by voting the enclosed proxy card or through telephone or Internet voting, as described below.

Giving us your signed proxy (or telephone or Internet vote) means that you authorize Mr. Ayers and Ms. Rago to vote your shares at the 2009 Annual Meeting according to the voting directions you provide on the proxy card.

You may vote for or against all, some or none of our director candidates. You also may vote for or against the ratification of the selection of our independent registered public accounting firm or abstain from voting on that matter.

Unless you indicate otherwise on your proxy card or through the telephone or Internet voting procedures, you also authorize your proxy holders to vote your shares on any matters not known by our Board at the time this Proxy Statement was printed and that, under our By-Laws, may be properly presented for action at the 2009 Annual Meeting.

How do I vote if I am the stockholder of record?

You can vote in person at the meeting by completing a ballot at the meeting or by delivering your completed proxy card.

Or, you can vote by proxy as follows:

By mail: Complete, sign, date and return your proxy card in the enclosed pre-addressed, postage-paid envelope.

By telephone: Use the toll-free number listed on the proxy card. Easy-to-follow voice prompts allow you to vote your shares and confirm that your instructions have been properly received.

By Internet: The website for Internet voting is listed on the proxy card. Internet voting allows you to confirm that your instructions have been followed.

Telephone and Internet voting procedures use a control number that appears on your proxy card to authenticate you as a stockholder of record and to allow you to confirm that your voting instructions have been properly recorded.

If you vote by telephone or Internet, you do not need to sign and return the proxy card.

Each executed and returned proxy card or voting instruction card and each telephone or Internet vote will be voted as directed. If you do not provide voting directions, the proxy will be voted in accordance with the Board's voting recommendations contained in this Proxy Statement.

If you are a stockholder of record, and you did not receive a postage-paid envelope, please mail your completed proxy card to Career Education Corporation, c/o Georgeson Inc., 199 Water Street, 26th Floor, New York, New York 10038.

Please contact our proxy solicitation firm, Georgeson Inc., toll-free at (888) 206-5970 if you have any questions regarding voting or to request another copy of this Proxy Statement or the proxy card.

How do I vote if I am a beneficial owner through a stock brokerage account, a bank or other holder of record?

You will receive materials from your stockbroker, bank or other firm asking how you want to vote. You can complete the firm's voting instruction form and return it as requested by the firm. If the firm offers Internet or telephone voting, the voting instruction form will contain instructions on how to access those voting methods.

You will not be able to vote in person at the 2009 Annual Meeting unless you have previously requested and obtained a legal proxy from your broker, bank or other firm and present it at the 2009 Annual Meeting.

Stockholders are advised to forward their voting instruction forms promptly to allow brokers sufficient time to process the voting instructions. Broker non-votes will be included for purposes of determining whether a quorum is present at the 2009 Annual Meeting. Broker non-votes are proxies received by CEC from brokers or nominees when the broker or nominee has neither received instructions from the beneficial owner or other persons entitled to vote nor has discretionary power to vote on a particular matter.

What is a quorum?

A quorum is the number of shares that must be present at a meeting to have a valid meeting and valid vote. The required quorum to transact business at the 2009 Annual Meeting is a majority of the voting power of shares of CEC common stock issued and outstanding and entitled to vote as of the Record Date.

The inspector of elections appointed for the 2009 Annual Meeting will tabulate the votes cast by proxy and in person at the 2009 Annual Meeting to determine whether or not a quorum is present. For purposes of determining whether a quorum is present, the inspector of elections will count abstentions and broker non-votes as shares that are present and entitled to vote.

Who will count the vote?

At the 2009 Annual Meeting, the inspector of elections appointed by our Board of Directors will tabulate the voting results.

What are the Board of Directors' recommendations on each proposal?

The Board of Directors recommends that you:

vote FOR all of the Board of Directors' nominees for election as directors; and

vote FOR the ratification of the selection of Ernst & Young LLP as the independent registered public accounting firm to audit our financial statements for the year ended December 31, 2009.

What vote is required to approve each proposal?

Election of Director: Each outstanding share of our common stock is entitled to one vote for as many separate nominees as there are directors to be elected. A nominee for director will be elected to the Board of Directors if the votes cast FOR the nominee exceed the votes cast AGAINST the nominee.

If the number of director nominees exceeds the number of directors to be elected, the directors will be elected by the vote of a plurality of the shares of common stock represented in person or by proxy at the 2009 Annual Meeting.

Abstentions, broker non-votes and shares not present at the 2009 Annual Meeting have no effect on the election of directors, because directors receiving a majority of votes cast will be elected.

Ratification of Independent Registered Public Accounting Firm: Ratification of the selection of Ernst & Young LLP as the independent registered public accounting firm to audit our financial statements for 2009 requires the favorable vote of a majority of the shares of common stock present in person or by proxy at the 2009 Annual Meeting. Abstentions are treated as shares present and not voting, so abstaining has the same effect as a vote AGAINST this proposal. Broker non-votes will have no effect on the proposal to ratify the appointment of Ernst & Young LLP.

What happens if a director nominee does not receive sufficient votes to be elected to the Board of Directors?

Under Delaware law, an incumbent director who fails to receive the required vote holds over, or continues to serve as a director, until his or her successor is elected and qualified. The Company's Fifth Amended and Restated By-Laws require a nominee who already serves as a director and is not re-elected to tender his or her resignation to the Board of Directors. The Nominating and Governance Committee will make a recommendation to the Board on whether to accept or reject the resignation. The Board (excluding the director who tendered his or her resignation) will decide whether to accept or reject the resignation and will publicly disclose its decision within 90 days from the date of certification of the election results. If the failure of a nominee to be elected at the 2009 Annual Meeting results in a vacancy on the Board, the Board may act to fill that vacancy.

Can I change my vote or revoke my proxy after I return my proxy card?

Yes. Even after you have submitted your proxy, you may change your vote at any time before it is voted at the 2009 Annual Meeting. To change your vote for shares you own directly as a stockholder of record, you may

submit a revocation letter with a later date than your proxy card to CEC's Corporate Secretary; or

deliver a signed and dated proxy card that is dated later than the your prior executed proxy card; or

vote again at a later date by telephone or Internet; or

attend the 2009 Annual Meeting and vote in person.

To revoke your proxy or instructions for shares you hold in street name, you can revoke your voting instructions by informing the holder of record in accordance with that holder's procedures.

Could other matters be decided at the Annual Meeting?

Yes. At the date of this Proxy Statement, we did not know of any other matters to be presented for consideration at the 2009 Annual Meeting. **If any other item or matter does properly come before the 2009 Annual Meeting, your proxy holders will vote in their discretion on that item or matter.**

Is there a list of stockholders entitled to vote at the Annual Meeting?

Yes. An alphabetical list of stockholders entitled to vote at the 2009 Annual Meeting, showing the address of and number of shares registered in the name of each stockholder, will be open to the examination of any stockholder for any purpose germane to the 2009 Annual Meeting during ordinary business hours commencing April 16, 2009, and continuing through the date of the 2009 Annual Meeting at our principal offices, 2895 Greenspoint Parkway, Suite 600, Hoffman Estates, Illinois 60169.

What is householding and how does it affect me?

We have adopted a procedure approved by the Securities and Exchange Commission (SEC) called householding. Under this procedure, stockholders of record sharing a single address can choose to receive only one Annual Report to Stockholders. This householding practice reduces our printing and postage costs. However, if you or another stockholder of record at a single address wish to receive a separate Annual Report to Stockholders or Proxy Statement this year or in the future, you, he or she may contact us at (847) 585-3899 or may write to us at Investor Relations, Career Education Corporation, 2895 Greenspoint Parkway, Suite 600, Hoffman Estates, Illinois 60169.

If you are a street name holder, you can request householding by contacting your bank or broker.

Can I access the Notice of Annual Meeting of Stockholders, Proxy Statement, Form 10-K and Summary Annual Report 2008 on the Internet?

CEC s Annual Report to Stockholders on Form 10-K for the year ended December 31, 2008, containing financial and other information pertaining to CEC, and our Summary Annual Report 2008, are being furnished to stockholders with this Notice of Annual Meeting and Proxy Statement. The Notice of Annual Meeting of Stockholders, Proxy Statement, Form 10-K and Summary Annual Report 2008 are also available on our website at www.careered.com under the caption Investor Relations.

PROPOSAL 1

ELECTION OF DIRECTORS

Our Board of Directors has nominated the nine director candidates named below. Each of the nominees is presently serving as a director of Career Education Company. Mr. Jackson joined the Board of Directors in November 2008 upon expressing an interest in being on the Board; the other candidates are running for re-election. The Board of Directors recommends that stockholders vote in favor of the election of all of the nominees named in this Proxy Statement to serve as directors of CEC. See "Nominees" below.

The Board of Directors has affirmatively determined that each of the director nominees except for Mr. McCullough, an employee director who is our 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 committee memberships. The Board used Rule 4200(a)(15) of NASDAQ's corporate governance listing requirements applicable to its listed companies and Rule 10A-3(b)(1) of the Securities Exchange Act of 1934 (the "Exchange Act"), as a guide in its independence determination.

If any of the Board of Directors' nominees is unable or declines to serve at the time of the Annual Meeting, the persons named as proxies on the proxy card will vote for the substitute nominee or nominees recommended by the Board of Directors or vote to allow the vacancy to remain open until filled 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.

Dennis H. Chookaszian

Director since October 2002

Mr. Chookaszian, age 65, has served as chairman of the Financial Accounting Standards Advisory Council, which advises the Financial Accounting Standards Board, since January 1, 2007. 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 the 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 a director of Chicago Mercantile Exchange Holdings Inc., a U.S. financial exchange; LoopNet, Inc., an information services provider to the commercial real estate industry; and Insweb Corporation, an on-line insurance provider. 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.

David W. Devonshire

Director since March 2008

Mr. Devonshire, age 63, served as Executive Vice President and Chief Financial Officer of Motorola, Inc., a global provider of integrated communications and embedded electronic solutions, from March 2002 through his retirement in March 2007. From December 1998 until joining Motorola, Mr. Devonshire was Executive Vice President and Chief Financial Officer of Ingersoll-Rand Company, a diversified industrial firm. From July 1993 until joining Ingersoll-Rand, he served as Senior Vice President and Chief Financial Officer of Owens Corning. Prior to joining Owens Corning, Mr. Devonshire served in financial positions with Baxter International Inc., The Mead Corporation and Honeywell International Inc. Mr. Devonshire serves on the Boards of Arbitron Inc., a media and marketing research firm, ArvinMeritor, Inc., a global supplier of a broad range of integrated systems, modules and components to the motor vehicle industry, and Roper Industries, a diversified industrial company that produces engineered products. Mr. Devonshire holds a Bachelor of Science in accounting from Widener University and a Master of Business Administration from Northwestern University's Kellogg Graduate School of Management.

Patrick W. Gross

Director since December 2005

Mr. Gross, age 64, has served as Chairman of The Lovell Group, a private business and technology advisory and investment firm, since 2002. Mr. Gross is a founder of and served as principal executive officer from 1970 to 2002 at American Management Systems, Inc., a computer applications software and systems integration firm. 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 and serves on the Board of the All Kinds of Minds Institute, a non-profit organization assisting students who struggle with learning. Mr. Gross is a director of Capital One Financial Corporation, Liquidity Services, Inc., Taleo Corporation and Waste Management, Inc. He attended Cornell University and received a Bachelor in Engineering Science 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.

Gregory L. Jackson

Director since November 2008

Mr. Jackson, age 42, is currently an investment partner of Blum Capital Partners, L.P., 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. Mr. Jackson also currently serves as a director for AxisPointe, Inc. and Veracity Payment Solutions, Inc. Blum Capital Partners, L.P. and its affiliates own more than 5% of the outstanding shares of one of the Company's competitors, ITT Educational Services, Inc. Mr. Jackson received his Bachelor of Science from the University of Utah and his Master of Business Administration from the University of Chicago.

As of March 2, 2009, Blum Capital Partners, L.P. and certain of its affiliates reported beneficial ownership of 16,411,859 shares, or approximately 18.6%, of the Company's common stock outstanding as of the Record Date. Mr. Jackson disclaims beneficial ownership of the shares held by the various Blum entities, except to the extent of any pecuniary interest therein. As a partner, managing member or member of Blum Capital Partners, L.P. and the affiliates listed above, Mr. Jackson is an owner of Blum Capital Partners, L.P. and is eligible for profit participation in that entity. He is also eligible for carried interest profits in the investment funds managed by Blum Capital and its affiliates listed above, including carried interest on the net aggregate profits (if any) from the sale of the securities of the Company (and other portfolio companies) held by these investment funds.

Thomas B. Lally

Director since January 1998

Mr. Lally, age 64, 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 received a Bachelor of Business Administration degree from Pace University.

Steven H. Lesnik

Director since February 2006

Mr. Lesnik, age 68, has served as Chairman of our Board since March 2008. Mr. Lesnik is Chairman of the Board of Directors of KemperSports Inc., an Illinois-based company that develops, owns, leases and manages golf facilities, athletic clubs and lodging venues nationwide and is engaged in marketing communications. Mr. Lesnik co-founded KemperSports Inc. with James S. Kemper, Jr. in 1977 and served as its Chief Executive Officer from 1979 to March 2008. From 1968 to 1979, he held numerous positions at Kemper Insurance Companies, including vice president. Mr. Lesnik is actively committed to education, having served as Chairman of the Illinois Board of Higher Education, as a visiting lecturer at Northwestern University, and as a director of the Illinois Math and Science Academy Foundation. Mr. Lesnik received a Bachelor of Arts from Brown University.

Gary E. McCullough

Director since March 2007

Mr. McCullough, age 50, has served as our President and Chief Executive Officer since March 2007. From December 2003 to March 2007, Mr. McCullough served as Senior Vice President of Abbott Laboratories and President of its Ross Products Division, a manufacturer of a variety of pediatric and adult nutritional products. From March 2000 until December 2003, Mr. McCullough served as Senior Vice President-Americas of Wm. Wrigley Jr. Company. Mr. McCullough is a director of The Sherwin Williams Company, a company engaged in the manufacture, distribution and sale of coatings and related products. Mr. McCullough holds a Bachelor of Science from Wright State University and a Master of Business Administration from Northwestern University's Kellogg Graduate School of Management.

Edward A. Snyder

Director since March 2008

Mr. Snyder, age 55, has served as Dean and George Pratt Shultz Professor of Economics at the University of Chicago Booth School of Business since July 2001. Mr. Snyder oversees the school's academic programs in Chicago, London, and Singapore. Mr. Snyder was Dean and Charles C. Abbott Professor of Business Administration at the Darden School at the University of Virginia from 1998 to 2001 and a Professor and Senior Associate Dean at the University of Michigan Business School from 1995 to 1998. From 1992 to 1995, Mr. Snyder was the Director at the Davidson Institute at the University of Michigan. Mr. Snyder's research activities include insights into business practices, specifically distribution and contracting practices; antitrust economics and enforcement; public policy; industrial organization; law and economics; and financial institutions. He earned a Bachelor of Arts from Colby College and a Master in Public Policy and Ph.D. in Economics from the University of Chicago.

Leslie T. Thornton

Director since December 2005

Ms. Thornton, age 50, has served as a partner with the law firm of Dickstein Shapiro LLP in Washington D.C. since 2004, 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 (DOE). During her nearly eight years at the DOE, Ms. Thornton advised the Secretary on all DOE matters, served as the liaison between the Secretary and the White House on policy, political, ethics, personnel and other issues; supervised the higher education administrative appeals process for the Secretary; and helped implement President Clinton's education initiatives. Ms. Thornton was selected by the White House in 1995 to serve on the President's White House Budget Working Group, and was asked in 1996 to serve in a senior role on President Clinton's presidential debate team. In addition to her work at the DOE, Ms. Thornton founded the Educational Equity Institute and Capitol Education Fund, organizations dedicated to improving educational access and opportunity. She holds a Bachelor of Arts from the University of Pennsylvania and a law degree from Georgetown University.

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

CORPORATE GOVERNANCE

Board and Committee Meetings, Executive Sessions and Attendance

The Board of Directors met 27 times in 2008 and held executive sessions without management present after six meetings.

The Board's standing committees are the Audit Committee, the Compensation Committee, the Compliance Committee and the Nominating and Governance Committee. In 2008, the Audit Committee held 8 meetings, the Compensation Committee held 15 meetings, the Compliance Committee held 4 meetings, and the Nominating and Governance Committee held 16 meetings.

In 2008, each incumbent director attended at least 75% of the aggregate total number of Board meetings and total number of committee meetings on which he or she served during the period he or she served as a director or committee member.

Annual Meeting Attendance

Directors are expected to attend the Annual Meeting, absent unusual circumstances. Each member of the Board of Directors who served as a director at the time of the 2008 Annual Meeting of Stockholders attended that meeting except for Mr. Devonshire and Mr. Snyder, who had recently joined the Board and did not attend the meeting due to scheduling conflicts.

Code of Ethics and Code of Business Conduct and Ethics

The Board of Directors has adopted a Code of Ethics for Executive Officers specifically applicable to our executive officers and senior financial officers, including our principal executive officer, our principal financial officer and our principal accounting officer or controller. The Code of Ethics for Executive Officers is posted on our website, www.careered.com, under the caption Investor Relations.

We have also adopted a Code of Business Conduct and Ethics in order to promote honest and ethical conduct and compliance with the laws and governmental rules and regulations to which we are subject. The Code of Business Conduct and Ethics is applicable to all of our employees, officers and directors, and is posted on our website, www.careered.com, under the caption Investor Relations.

Corporate Governance Guidelines

The Board of Directors has adopted Corporate Governance Guidelines to assist it in fulfilling its responsibility to exercise its business judgment to act in what it believes to be the best interest of our stockholders. The Corporate Governance Guidelines, as amended, are posted on the Company's website, www.careered.com, under the caption Investor Relations.

Director Independence Our Corporate Governance Guidelines require that a majority of the Board consist of non-employee independent directors as defined under NASDAQ's listing standards and any other applicable law or regulation.

Nominating Procedures Our Corporate Governance Guidelines address director qualifications, while our Fifth Amended and Restated By-Laws address the director nominee selection process. The Nominating and Governance Committee considers the entirety of each candidate's credentials and does not have any specific minimum qualifications that must be met by a nominee recommended by the Nominating and Governance Committee or by a stockholder. The Committee believes that all members of the Board should have the highest character and integrity, a reputation for working constructively with others, sufficient time to devote to Board matters and no conflict of interest that would interfere with performance as a director. In evaluating and selecting new directors, the Committee considers whether the candidate meets the definition of independent director as specified in NASDAQ's listing standards, as well as strength of character, mature judgment, career specialization, relevant technical skills, diversity and the extent to which the candidate would fill a present need for the Board. In the case of current directors being considered for re-nomination, the Nominating and Governance Committee also takes into consideration the director's history of meeting attendance, tenure, and preparation for and participation at Board and Board committee meetings.

The Nominating and Governance Committee considers candidates for the Board from any reasonable source, including stockholder recommendations. The Nominating and Governance Committee does not evaluate candidates differently based on who has proposed the candidate. The Committee has the authority under its charter to hire and pay a fee to consultants or search firms to assist in the process of identifying and evaluating director candidates. Candidates are recommended to the Board of Directors by the Nominating and Governance Committee.

Stockholders who wish to suggest qualified director candidates for consideration by the Nominating and Governance Committee should write to the Corporate Secretary, Career Education Corporation, 2895 Greenspoint Parkway, Suite 600, Hoffman Estates, Illinois 60169, specifying the name of the candidate and stating in detail the person's qualifications. The candidate should provide a written statement consenting to be named as a candidate and to serve as a director if nominated and elected, to accompany the recommendation. Stockholders who wish to nominate a director for election at an annual meeting of the stockholders of the Company must comply with the Company's By-Laws regarding stockholder proposals and nominations. See *Proposals of Stockholders* contained in this Proxy Statement.

Communications with the Board of Directors

Stockholders or other interested parties may communicate with the Board of Directors by sending a letter to the Board of Directors, c/o the Corporate Secretary, Career Education Corporation, 2895 Greenspoint Parkway, Suite 600, Hoffman Estates, Illinois 60169. The Corporate Secretary will receive the correspondence and forward it to the director or directors to whom the communication is addressed. From time to time, the Board of Directors may change the process by which stockholders may communicate with the Board or its members. Please refer to our website, www.careered.com, for any changes in this process.

Transactions with Related Persons

The Board of Directors and the Company have established certain policies and procedures regarding review and approval of activities involving related-person transactions as defined under applicable SEC regulations. Related persons include anyone who is, or has been since the beginning of the last fiscal year, a director or director nominee, an executive officer, a stockholder owning 5% or more of our outstanding common stock, and any immediate family member or associate of any of these persons. A person's immediate family includes his or her spouse, parents, step-parents, children, step-children, brothers and sisters, mothers- and fathers-in-law, sons- and daughters-in-law, brothers- and sisters-in-law, and anyone (other than a tenant or employee) sharing the person's home. A person's associates include (a) any corporation or organization (other than the Company or its subsidiaries) of which the person is an officer or partner, or is directly or indirectly the beneficial owner of 10% or more of any class of equity securities; (b) any trust or other estate in which the person has a substantial beneficial interest or serves as trustee or in a similar fiduciary capacity; and (c) any member of the person's immediate family who has the same home as the person or who or is a director or officer of the Company or any of its subsidiaries.

The Board has delegated to the Audit Committee the responsibility to review, approve or ratify any transactions with related persons required to be reported in the Company's periodic reports with the SEC to determine if each transaction is in the best interests of the Company and its stockholders and is consistent with applicable legal or regulatory requirements. The Audit Committee meets quarterly with our internal audit department members and our General Counsel to review the results of their monitoring of compliance with the Company's Code of Business Conduct and Ethics (which applies to directors as well as all employees) and the Code of Ethics for Executive Officers. Monitoring procedures include the Company's SpeakUp Line for anonymous reporting of suspected violations of those Codes and entity level testing of key controls in connection with internal control over financial reporting and disclosure controls and procedures.

Our Code of Business Conduct and Ethics includes the Company's Conflicts of Interest Policy, among other policies. Directors are expected to read this Code and adhere to its provisions to the extent applicable in carrying out their duties and responsibilities as directors. The Conflicts of Interest Policy provides, among other things, that it is improper for employees to do business with an individual that is not at arms length even if the employee has no financial interest in the transaction or arrangement; that employees shall not directly or indirectly have any interest in or have any personal contract, agreement or understanding of any nature whatsoever with suppliers, customers or other persons or entities doing business or negotiating to do business with the Company; that employees must bring any business opportunity encompassed under the Conflicts of

Interest Policy to the attention of the appropriate Company official; and that employees are prohibited from engaging or participating, directly or indirectly, either as a principal, agent, employee, employer, consultant, stockholder, co-partner, board member or in any other individual or representative capacity whatever, in the conduct or management of, or own any stock or other proprietary interest in, any business that is or may be competitive or seeks to do business with the Company, unless the employee has obtained the prior written consent of the Company. However, the Policy allows ownership of up to 5% of the capital stock of public companies that are regularly traded on any national exchange or in the over-the-counter market.

The Board's Nominating and Governance Committee reviews the independence of and any possible conflicts of interest of directors and director nominees at least annually in connection with information gathered from Directors' and Officers' Questionnaires and the director nominee selection process. Directors are required to disclose potential and existing related-party transactions in completing the questionnaire. Directors are also expected to disclose all potential related-party transactions to the Audit Committee and to the Board of Directors in compliance with the Audit Committee's responsibilities regarding review of related-person transactions. Corporate legal and accounting staff also review all purchases, sales or other financial transactions between CEC and each outside director or nominee, and between CEC and any entity and affiliates for which a director or nominee is an employee, director, or trustee. Based on these reviews, CEC has no related-party transactions to report in this Proxy Statement, nor are we aware of any business or other relationship that might bear on our directors' independence.

COMMITTEES OF THE BOARD OF DIRECTORS

The Board of Directors has established an Audit Committee, a Compensation Committee, a Compliance Committee and a Nominating and Governance Committee, each comprised entirely of directors who are independent as defined in the NASDAQ listing standards. Each committee has a written charter that is posted on our website, www.careered.com, under the caption Investor Relations. Each committee reports to the full Board of Directors regarding carrying out the committee responsibilities set forth in its charter.

Mr. Lesnik serves as the Chairman of the Board and as a non-voting member of each of the Board's committees.

Director	Audit	Compensation	Compliance	Nominating and Governance
Dennis H. Chookaszian	X (Chairperson)		X	X
David W. Devonshire	X	X		
Patrick W. Gross	X	X (Chairperson)		X
Gregory L. Jackson		X	X	
Thomas B. Lally		X		X (Chairperson)
Steven H. Lesnik				
Edward A. Snyder	X		X	
Leslie T. Thornton			X (Chairperson)	X
<i>Audit Committee</i>				

The Audit Committee, among other of its responsibilities:

oversees our accounting and financial reporting processes, audits of our financial statements, the internal audit department, qualitative aspects of financial reporting to stockholders, related-party transactions and CEC's processes to manage business and financial risk;

retains and oversees our independent registered public accounting firm, including reviewing its independence; and

pre-approves all audit services and permissible non-audit services.

The Audit Committee is comprised solely of directors who meet all of the independence standards for audit committee members as set forth in the Sarbanes-Oxley Act of 2002, the Exchange Act and the NASDAQ listing standards. After reviewing the qualifications of the Committee's members, and any relationships they have with CEC that might affect their independence from CEC, the Board of Directors has determined that (1) all current members of the Audit Committee are independent as that concept is defined in Section 10A of the Exchange Act, (2) all current members of the Audit Committee are independent as that concept is defined in the NASDAQ listing standards, (3) all current members of the Audit Committee are financially literate, and (4) Mr. Chookaszian, Mr. Devonshire and Mr. Gross qualify as audit committee financial experts under the applicable rules promulgated under the Exchange Act.

Compensation Committee

The Compensation Committee:

reviews and recommends to the Board the Company's goals and objectives relevant to compensation; oversees that Company policies and programs align with those goals and objectives; and reviews relevant market data in establishing compensation and benefits;

recommends to the Board the adoption or termination of any broad-based or executive compensation or benefit plans;

reviews, administers and recommends our Chief Executive Officer's compensation for approval by all of the independent directors of the Board; reviews, administers and establishes the compensation of each of our executive officers; and for our officers other than our executive officers, reviews the Chief Executive Officer's reports regarding tier levels, incentive awards, termination arrangements and salary levels, which are established by the Chief Executive Officer;

reviews our succession plan for the Chief Executive Officer and other senior executive officers; and

administers CEC's stock incentive plans and other compensation and benefit plans. See Report of the Compensation Committee of the Board of Directors and Compensation Discussion and Analysis below.

Delegation of Authority: The Compensation Committee Charter specifies that the Chief Executive Officer establishes tier levels, incentive awards, termination arrangements and salary levels for officers other than our executive officers; the Chief Executive Officer provides reports to the Compensation Committee on these matters.

Our incentive compensation plans authorize the Compensation Committee to delegate authority to our Chief Executive Officer or Chief Financial Officer to grant equity awards with certain limitations. The Compensation Committee cannot delegate its authority for grants to our executive officers, to covered employees (generally the most highly compensated employees of the Company) within the meaning of Section 162(m) of the Internal Revenue Code of 1986, as amended (the Code), to persons subject to Section 16 of the Exchange Act, and for awards intended to qualify as performance awards under Section 162(m). The Compensation Committee's guidelines for equity awards allow our Chief Executive Officer to make stock grants to new employees (except those who are executive officers under Section 16 of the Exchange Act) of up to 10,000 shares per award with an aggregate limit of 100,000 shares in any 12-month period.

The Compensation Committee and the Board also have established the Career Education Corporation Employee Benefits Committee to administer our health and welfare plans, our Employee Stock Purchase Plan (a Section 423 plan under the Code), our 401(k) plan, general employee plans and certain bonus plans (but excluding any cash bonus plan under the Career Education Corporation 2008 Incentive Compensation Plan (the 2008 Plan)) and excluding any plans or programs affecting solely our executive officer group.) The Employee Benefits Committee is comprised of five senior executives, who are our Chief Financial Officer, the Senior Vice

President and Chief Administrative Officer, the Senior Vice President and Chief Human Resources Officer, the Senior Vice President of Tax and Risk Management, and the Senior Vice President and General Counsel. This Committee reports its activities and actions to the Compensation Committee at least quarterly.

Role of Executive Officers: The Senior Vice President and Chief Human Resources Officer attends each meeting of the Compensation Committee (except for its executive sessions without management present) to provide input regarding senior management's view on our overall compensation programs, to provide feedback from key management on the forms of compensation and whether specific forms of compensation and specific performance measures and targets provide appropriate incentives for desired goals and objectives and to provide the Committee with data concerning each executive's experience, salary and promotion history, development and other materials necessary or useful to the Committee's deliberations. The Chief Executive Officer attends the majority of the Compensation Committee's meetings (except for its executive sessions without management present) and submits recommendations to the Committee concerning performance and pay for the executive officers excluding himself. As noted above, the Chief Executive Officer establishes tier levels, incentive awards, termination arrangements and salary levels for Company officers other than the executive officers.

Role of the Compensation Consultant: As further described below in Compensation Discussion and Analysis, the Compensation Committee has retained Frederic W. Cook & Company, Inc. (Cook), an independent compensation and benefits consulting firm, to assist the Committee on executive compensation matters. Cook representatives attend most meetings of the Compensation Committee, including certain executive sessions without management present; advise the Committee on compensation trends and practices; prepare market survey data on executive compensation; provide analyses and data compilation regarding executive compensation; and advise on executive pay recommendations for our executive officers.

Compliance Committee

The Compliance Committee oversees our policies, programs and procedures to ensure compliance with applicable laws, regulations and CEC policies; and advises our Board on the status of our compliance program and ongoing developments relating to compliance matters.

Nominating and Governance Committee

The Nominating and Governance Committee identifies candidates who are eligible to serve as directors under the qualification standards set forth in our Corporate Governance Guidelines; recommends the structure and membership of other Board committees to the Board of Directors; and considers corporate governance matters and periodically recommends corporate governance principles to the Board. The Committee also reviews potential conflicts of interest of prospective Board members, reviews and recommends to the Board the compensation and benefits of directors and takes the steps it deems necessary or appropriate regarding the oversight and evaluation of the Board and each Board committee.

DIRECTOR COMPENSATION

During 2008, each of our non-employee directors was paid an annual fee of \$18,000 (\$1,500 per month) for his or her services as a director, except that the annual fee paid to the Chairman of the Board was increased to \$80,000 commencing May 13, 2008, the date of last year's annual stockholder meeting. Each non-employee director is also paid \$1,000 for each Board of Directors meeting attended (\$2,000 per meeting for the Chairman of the Board commencing May 13, 2008) and \$500 for each Board committee meeting attended. Each committee chairperson receives an additional fee of \$500 for each committee meeting attended.

In addition, each non-employee director receives an annual grant of stock options on the date of our annual meeting. Each non-employee director (except for Mr. Jackson, who joined the Board after last year's annual meeting) was granted stock options to purchase 24,000 shares of our common stock at the closing price of the common stock on NASDAQ on May 13, 2008. Mr. Jackson was granted stock options to purchase 24,000 shares of our common stock at an exercise price equal to the closing price on NASDAQ on November 17, 2008, at the time he joined the Board of Directors. One-third of the options granted to each non-employee director vest on each of the grant date and the first two anniversaries of the grant date. Options are exercisable for ten years from the grant date.

Each director is covered by our directors and officers insurance policy and also has an indemnification agreement providing indemnification and advancement of expenses to the fullest extent permitted by Delaware law. All non-employee directors are reimbursed for their reasonable out-of-pocket expenses incurred in attending Board of Directors and committee meetings and associated with Board or committee responsibilities.

The total compensation of our non-employee directors for the year ended December 31, 2008 is shown in the following table:

2008 DIRECTOR COMPENSATION

Name	Fees Earned or Paid in Cash	Option Awards (10)	Total
Dennis H. Chookaszian (1)	\$ 63,000	\$ 310,997	\$ 373,997
David W. Devonshire (2)	\$ 36,081	\$ 203,384	\$ 239,465
Robert E. Dowdell (3)	\$ 26,129	\$	\$ 26,129
Patrick W. Gross (4)	\$ 67,500	\$ 310,997	\$ 378,497
Gregory L. Jackson (5)	\$ 4,200	\$ 74,636	\$ 78,836
Thomas B. Lally (6)	\$ 68,500	\$ 309,166	\$ 377,666
Steven H. Lesnik (7)	\$ 98,346	\$ 318,679	\$ 417,025
Edward A. Snyder (8)	\$ 30,081	\$ 203,384	\$ 233,465
Leslie T. Thornton (9)	\$ 57,000	\$ 310,997	\$ 367,997

- (1) Chairperson of the Audit Committee. As of December 31, 2008, he held options to purchase 192,000 shares of Company common stock.
- (2) Mr. Devonshire joined the Board on March 20, 2008. As of December 31, 2008, he held options to purchase 42,000 shares of Company common stock.
- (3) Mr. Dowdell, the former Chairman of the Board who had served as a director since January 1994, resigned as a director effective March 20, 2008. As of that date, he held options to purchase 192,000 shares of Company common stock. The Company recognized no compensation expense in 2008 related to these option shares because these option shares were cancelled or forfeited in connection with his retirement.
- (4) Chairperson of the Compensation Committee. As of December 31, 2008, he held options to purchase 96,000 shares of Company common stock.

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- (5) Mr. Jackson joined the Board on November 16, 2008. As of December 31, 2008, he held options to purchase 24,000 shares of Company common stock.

- (6) Chairperson of the Nominating and Governance Committee. As of December 31, 2008, he held options to purchase 216,000 shares of Company common stock.
- (7) Chairman of the Board. As of December 31, 2008, he held options to purchase 90,000 shares of Company common stock.
- (8) Mr. Snyder joined the Board on March 20, 2008. As of December 31, 2008, he held options to purchase 42,000 shares of Company common stock.
- (9) Chairperson of the Compliance Committee. As of December 31, 2008, she held options to purchase 96,000 shares of Company common stock.
- (10) Amounts were calculated utilizing the provisions of Statement of Financial Accounting Standards (SFAS) No. 123R, *Share-Based Payment*. See Note 14 of the notes to the consolidated financial statements included in our Annual Report on Form 10-K for the year ended December 31, 2008 for information regarding the assumptions used in the valuation of our equity awards.
- Prior to the December 2008 amendment of the 1998 Non-Employee Directors Stock Option Plan, our Board of Directors had full discretion to grant the non-employee directors who participated in that Plan the right to surrender all or part of a stock option award to us and to receive cash in an amount equal to the amount by which the change in control price per share on the date of the election exceeded the per share amount that the plan participant must pay to exercise the stock option award, multiplied by the number of shares of common stock for which the director exercised this right. The December 2008 amendment deleted the Board s authority to grant that right to directors in order to make this Plan comply with the requirements of Code Section 409A governing deferred compensation arrangements.

Certain of our non-employee directors also hold options under the 1998 Employee Incentive Compensation Plan (the 1998 Plan). In December 2008, these directors waived their right to elect, in event of a change in control, to surrender all or part of these stock options to CEC and receive, within 30 days of that notice, cash in an amount equal to the amount by which the per share change of control price, as defined in the 1998 Plan, exceeded the per share amount that the holder must pay to exercise the stock option award, multiplied by the number of stock options for which the holder has exercised this right. The Company requested the waiver in order that these options and the 1998 Plan comply with the provisions of Code Section 409A (governing deferred compensation arrangements). For additional discussion, see Note 14 to the notes to the consolidated financial statements in our Annual Report on Form 10-K for the year ended December 31, 2008.

On February 20, 2009, we entered into Option Extension and Amendment Agreements with the non-employee directors (other than Gregory L. Jackson, who entered into a separate agreement discussed immediately below) regarding outstanding option grants held by them. These agreements amended the outstanding non-employee director option grants to (a) increase the stock ownership threshold upon which a change in control is deemed to occur from 20% to 35% and (b) extend the post-termination exercise period of these options to the earlier of (i) three years following termination of service as a director of the Company, and (ii) the original expiration date of the option, except in the case of termination of service as a director of the Company at a time when cause (as defined in the 2008 Plan) exists.

On the same day, we entered into an Option Extension Agreement with Gregory L. Jackson, a non-employee director of the Company who holds Company options only under the 2008 Plan. The agreement extended the post-termination exercise period of his options to the earlier of (a) three years following termination of service as a director of the Company, and (b) the original expiration date of the option, except no extension will be granted in the case of termination of service as a director of the Company at a time when cause (as defined in the 2008 Plan) exists.

The Nominating and Governance Committee has the responsibility to review non-employee director compensation on a periodic basis and to recommend suggested changes to the Board of Directors.

Stock Ownership Guidelines

Our Board of Directors expects non-employee directors to be active participants in improving stockholder value by maintaining a predetermined level of ownership in our common stock. The Board adopted stock ownership guidelines effective December 31, 2005, that set the non-employee director ownership target at five times the base annual retainer (excluding meeting and committee fees). Non-employee directors at December 31, 2005 were allowed five years, or until December 31, 2010, to reach their stock ownership target. Non-employee directors joining the Board after December 31, 2005, have five years from the date of joining the Board to achieve their ownership target. The guidelines specify that the Chairman of the Board may determine to reduce future levels of stock awards or option grants to those directors not making satisfactory progress towards ownership targets, taking into consideration that extended blackout periods during which directors cannot purchase Company shares on the open market may restrict directors' ability to accumulate shares.

The Nominating and Governance Committee Chairman conducts an annual review of each non-employee director's progress towards the target stock ownership levels and communicates that progress to individual directors. As of December 31, 2008, Mr. Gross and Mr. Lally owned shares in excess of their current target, which is the pro rata amount of the five-year target based on the director's period of board service with the Company. The other non-employee directors have not yet achieved their current targets. The calculation methodology employed to measure achievement limits the allowable value of vested but unexercised options to 60% (assuming a 40% tax rate on unrealized gain) of the amount equal to the exercise price less the rolling 18-month average price of Company common stock times the number of option shares, up to a limit equal to 50% of the total stock ownership value to be considered having met ownership goals. As a result, those directors who beneficially own none or few Company common shares outright receive no credit or limited credit towards meeting their individual stock ownership targets.

EXECUTIVE OFFICERS

Set forth below is a table identifying our executive officers who are not identified in the tables entitled Election of Directors Nominees.