

SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, D.C. 20549

FORM 10-K

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

For the fiscal year ended December 31, 2001 Commission file number: 0-21039

STRAYER EDUCATION, INC.

(Exact name of registrant as specified in its charter)

MARYLAND
(State or other jurisdiction of
Number)
incorporation or organization)

52-1975978
(I.R.S. Employer Identification
Number)

1025 FIFTEENTH STREET, N. W., WASHINGTON, D.C 20005

(Address of principal executive offices)

REGISTRANT'S TELEPHONE NUMBER INCLUDING AREA CODE: (202) 408-2424

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

NONE
(Title of class:)
on

NONE
(Name of each exchange
which registered:)

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

COMMON STOCK, \$.01 PAR VALUE

(Title of Class)

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

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

The aggregate market value of Common Stock held by non-affiliates of the Registrant is \$413,430,000 (based upon the last sale price of the Common Stock as reported on the Nasdaq National Market System on March 15, 2002). The total number of shares of Common Stock outstanding as of March 15, 2002 was 8,352,412.

DOCUMENTS INCORPORATED BY REFERENCE

Certain portions of the Registrant's Definitive Proxy Statement for its 2002 Annual Meeting of Stockholders (which is expected to be filed with

the Commission within 120 days after the end of the Registrant's 2001 fiscal year) are incorporated by reference into Part III of this Report.

STRAYER EDUCATION, INC.

FORM 10-K

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FORWARD-LOOKING STATEMENTS: This Annual Report on Form 10-K contains statements that may be forward-looking statements within the meaning of the U.S. Private Securities Litigation Reform Act of 1995 ("Reform Act"). These statements are based on the current expectations of the Company (as defined below) and are subject to a number of risks and uncertainties. In connection with the Safe Harbor provisions of the Reform Act, the Company has identified important factors that could cause its actual results to differ materially from those expressed in or implied by such statements. The uncertainties and risks include the pace of growth of student enrollment, our continued compliance with Title IV of the Higher Education Act, competitive factors, risks associated with the opening of new campuses and the timing of related regulatory approvals and general economic and market conditions. Further information about these and other relevant risks and uncertainties may be found elsewhere in this annual report on Form 10-K and in the Company's other filings with the Securities and Exchange Commission, all of which are incorporated herein by reference and are available from the Commission and from the Company's world wide web site at <http://www.strayeredu.com> as well as from other sources. The Company undertakes no obligation to update or revise forward looking statements.

ITEM 1. BUSINESS.

OVERVIEW

Strayer Education, Inc. ("Strayer" or the "Company") (Nasdaq: STRA) (www.strayeredu.com) is an education services holding company which owns Strayer University and certain other assets. Strayer's mission is to make higher education achievable and convenient for working adults in today's economy.

Strayer University (the "University") (www.strayer.edu) is a proprietary institution of higher learning which offers undergraduate and graduate degree programs in business administration, accounting and information technology to more than 14,000 working adults at 17 campuses in Maryland, Virginia, Washington, DC and worldwide via the Internet through Strayer ONLINE. Strayer University is committed to providing an education that prepares working adult students for advancement in their careers and professional lives. By constantly adapting to the latest techniques and technologies used in business, we provide our graduates with practical skills and a competitive edge in the changing marketplace.

Strayer University is accredited by the Middle States Commission on Higher Education ("Middle States"), one of the six regional collegiate accrediting agencies recognized by the U.S. Department of Education ("Department of Education" or "Department"). Founded in 1892, Strayer attracts students from around the country and throughout the world.

INDUSTRY BACKGROUND

The adult education market is a significant and growing component of the large post-secondary education market. The Company believes the market for adult education should continue to increase as working adults seek additional education and training to update and improve their skills, to enhance their earnings potential, and to keep pace with the rapidly expanding knowledge-based economy.

Many working adults are seeking accredited degree programs that provide flexibility to accommodate the fixed schedules and time commitments associated with their professional and personal obligations. Our format enables working adult students to attend classes and complete coursework on a more convenient schedule. Many traditional universities currently do not effectively address the unique requirements of working adult students who seek to pursue programs of study in the evenings and on weekends during the full calendar year.

COMPANY STRATEGY

Our goal is to be a leading provider of high quality higher education programs for working adults in the primary areas of Business Administration, Accounting and Information Technology. We consider our

adult students to be our primary customers and the employers that provide tuition assistance to their employees through tuition reimbursement plans or other sponsorship arrangements as our secondary customers. We have identified the following factors as key to executing our growth strategy:

1. **MAINTAIN STABLE ENROLLMENT AT OUR MATURE CAMPUSES (THOSE IN OPERATION MORE THAN THREE YEARS)** At December 31, 2001, we had eleven mature campuses. Enrollment at Strayer's mature campuses had been on the decline in 2000. In the Spring, Summer and Fall quarters of 2001, enrollment at these campuses grew 2%, 5% and 2%, respectively, compared to the same period in 2000.
2. **ACCELERATE NEW CAMPUS GROWTH (THOSE IN OPERATION THREE YEARS OR LESS)** At December 31, 2001, we had six campuses in this category. Our goal is to open two to three new campuses per year, by filling out Washington, DC, Maryland and Virginia areas and by expanding into contiguous states. Our three 2001 campus openings were in Baltimore, MD, Chesapeake, VA and Newport News, VA. We plan to open three new campuses in North Carolina in 2002, one in Raleigh-Durham and two in Charlotte. In March 2002, we received approval from the University's accrediting agency and from the University of North Carolina Board of Governors, the applicable post-secondary authority in North Carolina to open these campuses and offer our programs in the state in 2002. Our new campuses typically become profitable after five to six quarters of operation.
3. **MAXIMIZE OUR ONLINE OPPORTUNITY TO SERVE WORKING ADULTS** Our goal is to actively market Strayer ONLINE to U.S. students throughout all 50 states and to international students on a global basis. Strayer ONLINE has demonstrated it is a successful online program with both asynchronous (on demand) and synchronous (real time) course offerings that are very much in demand by working adult students because of their quality and convenience. Enrollment at Strayer ONLINE has grown above a 50% compounded annual growth rate ("CAGR") since inception in 1997. There were 4,260 students taking ONLINE courses in the Winter quarter 2002.
4. **DEVELOP CORPORATE/INSTITUTIONAL ALLIANCES** The Company believes it is well-positioned to pursue significant opportunities in the large corporate/institutional market. Currently, the Company has in place sponsorship and reimbursement arrangements of varying sorts with over 80 corporations and government institutions, including AT&T, Verizon, General Motors, PEPCO, SallieMae, Northrop Grumman Information Technology, EDS, UPS, Lockheed Martin, Raytheon, the Defense Logistics Agency, The National Guard, The District of Columbia, The General Services Administration, The United States Navy Audit Agency and the U.S. Department of Energy.
5. **CONSIDER SELECTIVE ACQUISITIONS** We periodically evaluate opportunities to acquire education businesses and campus facilities. In evaluating such opportunities, management considers, among other factors, location, demographics, price, the availability of financing on acceptable terms, competitive factors, and the opportunity to improve operating performance through the implementation of our operating strategies. We have no current commitments with regard to potential acquisitions.

STRAYER UNIVERSITY

CURRICULUM

The University offers information technology and business-oriented curricula to equip students with specialized and practical knowledge and skills for careers in business, industry and government. The Academic Curriculum Committee reviews and revises the University's course offerings periodically to improve the educational programs and respond to changing and competitive job markets. The University formed a Curriculum Advisory Board in 1993 to support the program evaluation process. The Curriculum Advisory Board consists of University faculty, current and former Strayer students, and representatives from more than a dozen private and government employers. The Curriculum Advisory Board also studies

the career progress of University alumni. The University uses these studies to make decisions about curriculum development, resource allocation and faculty appointments.

The University offers programs in the following areas:

MASTER OF BUSINESS ADMINISTRATION (M.B.A.) DEGREE	BACHELOR OF SCIENCE (B.S.) DEGREE	UNDERGRADUATE CERTIFICATE PROGRAMS
MASTER OF SCIENCE (M.S.) DEGREE	Accounting	Accounting
Communications Technology	Business Administration	Business Administration
Information Systems	Computer Information Systems	Computer Information Systems
Management Information Systems	Computer Networking	
Professional Accounting	Database Technology	DIPLOMA (D.P.)
	Economics	Accounting
	International Business	Acquisition and Contract Management
	Internetworking Technology	Computer Information Systems
EXECUTIVE GRADUATE CERTIFICATE PROGRAMS	ASSOCIATE IN ARTS (A.A.) DEGREE	Internetworking Technology
Business Administration	Accounting	Network Security
Computer Information Systems	Acquisition and Contract Management	Web Development
Professional Accounting	Business Administration	
	Computer Information Systems	
	Computer Networking	
	Database Technology	
	Economics	
	General Studies	
	Internetworking Technology	
	Marketing	

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

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

The University structures its curricula to allow students to advance sequentially from one learning level to another by applying credits earned in one program toward attainment of a more advanced degree. For example, a student originally pursuing a Diploma in Computer Information Systems can extend his or her original educational objective by taking additional courses leading to an A.A. degree in Computer Information Systems, a B.S. degree in Computer Information Systems, and ultimately an M.S. degree in Information Systems. The curriculum design provides students a level of competency and a measure of attainment in the event they interrupt their education or choose to work in their field of concentration prior to obtaining their final degree.

STRAYER ONLINE

In August 1997, the Company began operation of Strayer ONLINE, a division of the University. Through Strayer ONLINE, the University offers courses and degree programs via the Internet using both synchronous (real-time interactive) and asynchronous or on demand (time-independent) approaches to online learning. The asynchronous format was first utilized by the University in the Summer 2001 quarter and has grown rapidly due to increasing demand. Students may take courses solely through Strayer ONLINE or in addition to traditional, on-site courses. A student taking classes through Strayer ONLINE has the same admission and financial aid requirements, policies and procedures, and student services as other University students. Tuition for Strayer ONLINE courses is the same as for campus courses. During

the Winter 2002 quarter, the University had 4,260 students participating in the University's online programs, of whom 3,222 students took classes solely through Strayer ONLINE.

FACULTY

The University seeks to appoint faculty who hold appropriate academic credentials, are dedicated, active professionals in their field, and are enthusiastic and committed to teaching working adults. In accordance with its educational mission, the University faculty focuses its efforts on teaching. The normal course load for a full-time faculty member is four courses per quarter for each of three quarters, or 12 courses per academic year. With the approval of the Campus Deans, faculty members may teach a fifth course per quarter and extra courses during the Summer quarter for additional compensation. The University requires full-time faculty members to hold student counseling hours at least two hours per week for each course they teach.

Strayer provides financial support for faculty members seeking to update their skills and knowledge. The University maintains a tuition plan that reimburses instructors enrolled in advanced degree programs for ordinarily 50% of tuition for one new course per term. Strayer conducts annual in-house faculty workshops in each discipline. The University also fully reimburses its faculty for their costs in receiving computer-related instruction and training to keep current in information technology developments.

REGIONAL AND CAMPUS ORGANIZATION OF STRAYER UNIVERSITY

The University organizes its academic programs and administrative operations on a regional and campus basis. The University's annual financial budget and overall academic and business decisions are directed by its Board of Trustees. The Board consists of Scott Steffey, the Company's Executive Vice President and Chief Operating Officer and former Vice Chancellor of the State University of New York and Dr. Donald Stoddard, the University's President, as well as the following independent members:

Dr. Peter Salins	Dr. Salins is Provost and Vice Chancellor for Academic Affairs and Chief Academic Officer at the State University of New York.
Roland Carey	Mr. Carey is a former Director of the Company and previously served as an Advisor to the Louisa County Public School System of Virginia and a school Program Coordinator.
Dr. Jennie Seaton	Dr. Seaton is a former Director of the Company and previously served as Assistant Dean of Virginia Commonwealth University.
Todd Milano	Mr. Milano is President and Chief Executive Officer of Central Pennsylvania Business School and a Director of the Company.
Dr. Charlotte Beason	Dr. Beason is the Vice Chair, Commission on Collegiate Nursing Education and Program Director, U.S. Department of Veterans Affairs and a Director of the Company.
Thomas Waite, III of of	Mr. Waite is the Chief Financial Officer and Treasurer of the Humane Society of the United States and a Director of the Company.

Within the parameters of the academic and financial direction set by the University's Board of Trustees, the University is managed on a day to day basis by the University President and Provost, as to academic matters, as well as by four regional managers who are responsible for implementing Board policy and meeting commercial and budgetary goals for their respective regions. They are:

James F. McCoy - Regional Director - Southern Virginia and North Carolina Michael O. Williams - Regional Director - Northern Virginia and D.C. Betty Shuford - Regional Director - Maryland Robert L. Gustavus - Director - Strayer ONLINE.

Similarly, at the campus level, on a day-to-day basis, the campus operations are managed by a Campus Manager while the academic functions are overseen by a Campus Dean. Each campus is staffed

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

MARKETING

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

STUDENT PROFILE

The majority of Strayer students are working adults pursuing their first college degree to improve their job skills and advance their careers. Of students enrolled in Strayer programs at the beginning of the 2001 Fall quarter, approximately 60% were age 30 or over and approximately 74% were engaged in a part-time (Undergraduates taking fewer than three courses each quarter) course of study. In the 2001 Fall quarter, Strayer students registered for an average of 8.8 course credits (about two classes per student). Strayer University's student body is significantly diverse. In 2001, 52% of students constituted minorities and 56% of students were women. Approximately 7% of the University's students were international, including those taking courses through Strayer ONLINE. Approximately 14.3% of the University's students were veterans or reservists. Through Strayer ONLINE, the University offered courses to students in all 50 states and 39 foreign countries in 2001. Strayer is proud of its record of making higher learning attainable to those working adults who missed or were previously unable to take advantage of education opportunities.

The following is a breakdown of our students by the level of program they are seeking, at December 31, 2001:

Degree Programs Students -----	Number of Students -----	Percentage of
Bachelors	8,686	70%
Masters	2,241	18%
Associates	1,541	12%
-----	----	
Total Degree Students	12,468	100%
Non-Degree Programs Students -----	Number of Students -----	Percentage of
Diploma	700	45%
Undeclared	841	55%
-----	---	
Total Non-Degree Students	1,541	100%

STUDENT ADMISSIONS

The University seeks to ensure that incoming students have the necessary academic background to succeed in their course of study at Strayer. Students attending the University's undergraduate programs

must possess a high school diploma or a General Educational Development Certificate. Students attending the University's graduate programs must have a bachelor's degree from an accredited institution. If a student's undergraduate major varies widely from the student's proposed graduate course of study, certain undergraduate foundation courses may be necessary for admission to some of the highly technical courses offered at the graduate level.

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

TUITION AND FEES

Strayer charges tuition by the credit hour. All courses offered are 4.5 credit hours. As of January 1, 2002, undergraduate, full-time students are charged at the rate of \$220.50 per credit hour. Undergraduate part-time students are charged at the rate of \$231.00 per credit hour. Courses in graduate programs are charged at the rate of \$294.00 per credit hour. Accordingly, a full-time student seeking to obtain a bachelor's degree in four years currently would pay approximately \$9,900 per year in tuition. The University implemented a tuition increase of 5% per credit hour effective January 1, 2002. Under a variety of different programs, the University offers scholarships and tuition discounts to active and reserve military students and in connection with various corporate and government sponsorship and tuition reimbursement arrangements.

SEL PROGRAM

In 1995, the Company introduced the Strayer Education Loan Program (the "SEL Program") for eligible students as an alternative to government sponsored student loans. Education Loan Processing, Inc. ("ELP"), which is a wholly-owned subsidiary of the Company, administers the SEL Program for the University. In addition to serving as an alternative to the federal loan programs, the SEL Program can service loans at a lower cost.

The Company designed the SEL Program for working adult students. Borrowers make payments while enrolled, thereby reducing the debt they otherwise would assume upon completion of their studies. While enrolled at Strayer, the minimum monthly payment on the loan is a percentage of the balance each month. Upon completion of their schooling, the student is placed on a fixed payment plan. The loans generally have maturities ranging from one to four years after graduation and bear interest at a rate that is competitive with rates under federal student loan programs. At December 31, 2001, there were 2,798 loans outstanding with an aggregate loan balance of approximately \$8.9 million and an average individual loan balance of approximately \$3,200.

Loans under the SEL Program are unsecured. Before making loans, Strayer conducts a credit evaluation and verifies employment of each applicant. Student defaults on loans extended under the SEL Program have historically approximated 2% of total dollars loaned.

STRAYER FOUNDATION SCHOLARSHIPS

The Strayer University Education Foundation was established by the former majority stockholder of the Company as an independent entity to provide scholarships and grant assistance for needy students who wish to pursue a program of study at Strayer University. The Foundation has a nine member Board of Trustees including independent members (as well as Dr. Stoddard and Mr. Steffey) and oversees a variety of scholarship and grant programs for students based on eligibility criteria established by the Foundation Board. The Foundation had \$2.3 million in assets at December 31, 2001 and issued 93 scholarships and other awards totaling approximately \$100,000 in 2001.

CAREER DEVELOPMENT SERVICES

Although most of Strayer's students are adults who are already employed, the University actively assists its students and alumni with job placement and other career-related matters through career

development offices in each region where the University has campuses. Strayer's career development personnel conduct workshops on employment-related topics (including resume preparation, interviewing techniques and job search strategies), maintain job listings, arrange campus interviews by employers and provide other placement assistance. The University sponsors career fairs in the Fall and Spring quarters for students and alumni to discuss career opportunities with companies and governmental agencies.

The University regularly conducts alumni surveys to monitor the career progression of its graduates and to comply with Middle States and state requirements to perform outcome assessments. The 2000 alumni survey, which had an approximately 24% overall response rate, indicated that 91% of those responding were employed. According to the survey, Strayer's greatest assets, in order of importance, are campus location, schedule variety, instructor knowledge, course selection, online courses, and small class sizes.

Strayer students and graduates are employed in a wide range of companies and many governmental agencies.

COMPETITION

The post-secondary education market in Strayer's market area is highly competitive. The University competes with traditional public and private two-year and four-year colleges, other for-profit schools, other online providers and alternatives to higher education, such as employment and military service. Public colleges may offer programs similar to those of the University at a lower tuition level, due to government subsidies, government and foundation grants, tax-deductible contributions and other financial aid sources not available to proprietary institutions. Tuition at private post-secondary institutions generally is higher, and in some cases significantly higher, than the tuition at the University.

We believe that the competitive factors in the higher education market include the ability to provide the following:

- o Convenient access to programs and classes;
- o High-quality educational programs, classes and services;
- o Qualified and experienced faculty;
- o Competitive tuition cost;
- o Career advancing and practical skills which are in demand in the marketplace.

In terms of non-degree programs offered by the University, we compete with a variety of business and information technology providers, primarily those in the for-profit training sector. Many of these competitors have higher market share and longer-term relationships with corporate and government sponsors.

The University competes with other educational institutions primarily based on the quality of its business-oriented curriculum and instruction, its flexible schedules and convenient classroom locations, and its responsiveness to changing educational requirements of the workplace. Few of the University's competitors have structured their programs to meet the special needs of working adult students, although management believes that more may do so in the future.

The Company also competes with other higher learning institutions in its market area for marketing and printout broadcast media access as well as for instructors, both for the classroom and online.

EMPLOYEES

As of December 2001, the University employed 486 faculty members, of whom 116 were full-time and 370 part-time, and 474 non-faculty staff in information systems, financial aid, recruitment and admissions, payroll and human resources, corporate accounting and other administrative functions. Of the University's non-faculty staff, 365 were employed full-time and 109 part-time.

ACCREDITATION, APPROVALS, LICENSING AND FINANCIAL AID REGULATION

REGULATORY ENVIRONMENT

The Higher Education Act of 1965, as amended ("HEA"), and the regulations promulgated thereunder require all higher education institutions that participate in the various federal student financial aid programs under Title IV of the HEA ("Title IV Programs") including the University, to comply with detailed substantive and reporting requirements as well as to undergo periodic regulatory scrutiny. The HEA mandates specific regulatory responsibility for each of the following components of the higher education regulatory triad: (i) the federal government through the Department of Education; (ii) the accrediting agencies recognized by the Department of Education; and (iii) state higher education regulatory bodies. The regulations, standards, and policies of these regulatory agencies are subject to change.

ACCREDITATION

The University has been accredited since 1981 by Middle States, a regional accrediting agency recognized by the Department of Education. Accreditation is a system for recognizing educational institutions and their programs for performance, integrity and quality that entitles them to the confidence of the educational community and the public. In the United States, this recognition comes primarily through private voluntary associations of institutions and programs of higher education. These associations establish criteria for accreditation, evaluate institutions and professional programs for accreditation, and publicly designate those institutions that meet their criteria. Accredited schools are subject to periodic review by accrediting bodies to ensure that the schools maintain the performance, integrity and quality required for accreditation.

Middle States is the same accrediting agency that grants institutional accreditation to other degree-granting public and private colleges and universities in its region (namely, Delaware, District of Columbia, Maryland, New Jersey, New York, Pennsylvania, Puerto Rico, and U.S. Virgin Islands). Accreditation by Middle States is an important attribute of the University. Colleges and universities depend on accreditation in evaluating transfers of credit and applications to graduate schools. Employers rely on the accredited status of institutions when evaluating a candidate's credentials, and students and corporate and government sponsors under tuition reimbursement programs look to accreditation for assurance that an institution maintains high quality educational standards. Moreover, institutional accreditation is necessary to qualify for eligibility for federal student financial assistance.

Middle States reaffirmed the University's accreditation in 2000 for a ten year period.

The accrediting agencies that accredit higher education institutions in various regions of the United States have recently adopted a "Policy on Evaluation of Institutions Operating Interregionally." Under that policy both the "home" regional accreditor and the "host" regional accreditor cooperate to evaluate an institution that delivers education at a physical site in the host regional accreditor's region. Although the home region is solely responsible for final accreditation actions, as the University opens campuses in regions outside the Middle States region, the host regional accreditors will also participate in the accreditation process of such expansion operations.

STATE LICENSURE

The University is authorized to offer its programs, including those offered through Strayer ONLINE, by the D.C. Education Licensure Commission, the Virginia State Council of Higher Education, the Maryland Higher Education Commission and the Board of Governors of the University of North Carolina (the state licensure body for North Carolina). The University is dependent on the authorization of each state within which the University offers educational programs to allow it to operate and to grant degrees or diplomas to students. The University is subject to extensive regulation in each of the three jurisdictions (the District of Columbia, Virginia and Maryland) in which it currently operates and the fourth jurisdiction (North Carolina) in which it plans to open campuses in 2002. State laws and regulations

affect the University's operations and may limit the ability of the University to introduce educational programs or establish new campuses. State authorization also is required in order for an institution to become and remain eligible to participate in Title IV Programs.

OTHER APPROVALS

The University is authorized by the Immigration and Naturalization Service (the "INS") of the U.S. Department of Justice to admit international students for study in the U.S. subject to applicable guidelines. In addition, Strayer is approved by appropriate authorities for the education of veterans and members of the selective reserve and their dependents, as well as for the rehabilitation of handicapped students.

FINANCING STUDENT EDUCATION

Students finance their Strayer education in a variety of ways. A significant number of students utilize federal financial aid. In addition, many of Strayer's working adult students finance their own education or receive full or partial tuition reimbursement from their employers. Congress has enacted several tax credits for students pursuing higher education as well as providing a deduction for interest on student loans and exclusions from income of certain tuition reimbursement amounts. Strayer also offers a variety of grants, loans (including loans under the SEL Program), scholarships and work-study programs as financing options for its students.

In 2001, approximately 44% of the University's students participated in one or more Title IV Programs. A substantial portion (approximately 55% in 2001) of the University's revenues are derived from tuition financed under Title IV Programs.

The University's financial aid programs are designed to assist eligible students whose financial resources are inadequate to meet the cost of education. Aid is awarded on the basis of financial need, generally defined under the HEA as the difference between the cost of attending a program of study and the amount a student reasonably can be expected to contribute to those expenses. All recipients of financial aid must maintain a satisfactory grade point average and progress in a timely manner toward completion of a program of study.

1998 HEA amendments that took effect on October 7, 2000 address an institution's refund policy with regard to Title IV Programs only. Under the new provision, the institution must first determine the amount of Title IV Program funds that the student "earned." If the student withdraws during the first 60% of any period of enrollment or payment period, the amount of Title IV Program funds that the student earned is equal to a pro rata portion of the funds for which the student would otherwise be eligible. If the student withdraws after the 60% point, then the student has earned 100% of the Title IV Program funds. The institution must return to the appropriate Title IV Programs, in a specified order and excluding the Federal Work-Study Program, the lesser of the unearned Title IV Program funds or the institutional charges incurred by the student for the period multiplied by the percentage of unearned Title IV Program funds. The Company believes that the University's refund policy is consistent with the current HEA.

TITLE IV PROGRAMS

The University maintains eligibility for its students to participate in the following Title IV Programs:

Federal Pell Grants. Grants under the Federal Pell Grant ("Pell") program are available to eligible students based on financial need and other factors.

Campus-Based Programs. The "campus-based" Title IV Programs include the Federal Supplemental Educational Opportunity Grant program, the Federal Work-Study program, and the Federal Perkins Loan ("Perkins") program.

Federal Family Education Loans. Pursuant to the Federal Family Education Loan Program (the "FFEL Program"), which includes the Federal Stafford Loan ("Stafford") program and the Federal Parent Loan for Undergraduate Students ("PLUS") program, students and their parents can obtain from

lending institutions subsidized and unsubsidized student loans, which are guaranteed by the federal government. Students who demonstrate financial need may qualify for a subsidized Stafford loan, and the federal government will pay the interest on the loan while the student is in school and until the borrower's obligation to repay the loan begins. Unsubsidized Stafford loans are available to students who do not qualify for a subsidized Stafford loan or in some cases in addition to a subsidized Stafford loan.

Federal Direct Student Loans. Under the William D. Ford Federal Direct Loan Program (the "Direct Loan Program"), the Department of Education makes loans directly to students rather than guaranteeing loans made by lending institutions. The University has not originated any loans under this program, but utilizes other Title IV loan programs.

OTHER FINANCIAL AID PROGRAMS

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

FINANCIAL AID REGULATION

To be eligible to participate in Title IV Programs, the University must comply with specific standards and procedures set forth in the HEA and the regulations issued thereunder by the Department of Education. An institution must, among other things, be authorized by each state within which it operates to offer its educational programs and be accredited by a recognized accrediting agency. The institution also must be certified by the Department of Education to participate in Title IV Programs, based on a determination that, among other things, the institution meets certain standards of administrative capability and financial responsibility. For purposes of the Title IV Programs, the University and all of its campuses are considered to be a single "institution of higher education" so that Department of Education requirements applicable to an "institution of higher education" are applied to all of the University's campuses in the aggregate rather than on an individual basis. The University currently is certified to participate in Title IV Programs.

In October 1998, Congress reauthorized and amended the HEA. While the 1998 HEA amendments made numerous changes to Title IV Program requirements, the Company believes that these changes have not and will not have a material adverse effect on the University. The Company believes that the University is in material compliance with the HEA.

Congress reauthorizes the HEA every five to six years. In addition Congress reviews and determines appropriations for Title IV Programs on an annual basis. An elimination of certain Title IV Programs, a reduction in federal funding levels of such programs, material changes in the requirements for participation in such programs, or the substitution of materially different programs could reduce the ability of certain students to finance their education, which in turn could lead to lower enrollments at the University or require the University to increase its reliance upon alternative sources of student financial aid. Given the significant percentage of the University's revenues that are derived indirectly from the Title IV Programs, the loss of or a significant reduction in Title IV Program funds available to the University's students could have a material adverse effect on the Company. In addition, the regulations applicable to the University have been subject to frequent revisions. The University's continued compliance with such regulations may affect the operations of the University and its ability to participate in Title IV Programs. Certain elements of the regulations applicable to the University are described below.

INCREASED REGULATORY SCRUTINY

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

ADMINISTRATIVE CAPABILITY

Department of Education regulations specify extensive criteria by which an institution must establish that it has the requisite "administrative capability" to participate in Title IV Programs. To meet the administrative capability standards, an institution, among other things, must not have cohort default rates above specified levels, must have various procedures in place for safeguarding federal funds, must not be, and not have any principal or affiliate who is, debarred or suspended from federal contracting or engaging in activity that is cause for debarment or suspension, and must not otherwise appear to lack administrative capability.

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

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

FINANCIAL RESPONSIBILITY

The HEA and Department of Education regulations establish extensive standards of financial responsibility that institutions such as the University must satisfy to participate in Title IV Programs. These standards generally require that an institution provide the services described in its official publications and statements; provide the administrative resources necessary to comply with Title IV requirements; and meet all of its financial obligations, including required refunds and any repayments to the Department of Education for debts and liabilities incurred in programs administered by the Department.

In addition, Department of Education standards, which took effect July 1, 1998, utilize a complex formula to assess financial responsibility. The standards focus on three financial ratios: (i) equity ratio (which measures the institution's capital resources, ability to borrow and financial viability); (ii) primary reserve ratio (which measures the institution's financial viability and liquidity); and (iii) net income ratio (which measures the institution's ability to operate at a profit or within its means). An institution's financial ratios must yield a composite score of at least 1.5 for the institution to be deemed financially responsible without the need for further federal oversight. The University has applied the financial responsibility standards to its audited financial statements as of and for the year ended December 31, 2001 and calculated a composite score of 3.0, the highest score available. The Company therefore believes that the University meets the Department's financial responsibility standards.

STUDENT LOAN DEFAULTS

Under the HEA, an educational institution may lose its eligibility to participate in some or all of the Title IV Programs if defaults on the repayment of federally guaranteed student loans by its students exceed certain levels. A rate of student defaults (known as a "cohort default rate") is calculated for each institution annually by determining the rate at which borrowers who become subject to their repayment obligation in one federal fiscal year default by the end of the following federal fiscal year. The Department

calculates a single cohort default rate for an institution that includes all borrowers who commenced repayment on any FFEL Program or Direct Loan Program loan.

The Department issued new regulations effective July 1, 2001 regarding cohort default rates. Under these regulations, if the Department notifies an institution that its three most recent cohort default rates are each 25 percent or greater, the institution's participation in the FFEL Program, Direct Loan Program, and Federal Pell Grant Program ends 30 days after the notification, unless the institution timely appeals that determination on specified grounds and according to specified procedures. An institution's participation in the FFEL Program and Direct Loan Program ends 30 days after notification that its most recent cohort default rate is greater than 40 percent, unless the institution timely appeals that determination on specified grounds and according to specified procedures. An institution whose participation ends under these provisions may not participate in the relevant programs for the remainder of the fiscal year in which the institution receives the notification and for the next two fiscal years. The new regulations also address cohort default rates for institutions that have undergone a change in status, such as acquisition or merger of institutions and acquisition of another institution's branches or locations.

If an institution's cohort default rate equals or exceeds 25% in any of the three most recent federal fiscal years, the institution may be placed on provisional certification status. Provisional certification does not limit an institution's access to Title IV Program funds; however, an institution with provisional status is under closer review by the Department of Education and may be subject to summary adverse action if it violates Title IV Program requirements. The University's cohort default rates on FFEL Program loans for the 1997, 1998 and 1999 federal fiscal years, the three most recent years for which this information is available, were 14.5%, 12.1% and 5.6%, respectively. The average default rates for proprietary institutions nationally were 15.4%, 11.4% and 9.3% in fiscal years 1997, 1998 and 1999, respectively.

THE "90/10 RULE"

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

INCENTIVE COMPENSATION

As a part of an institution's program participation agreement with the Department of Education and in accordance with the HEA, the institution must certify that it will neither provide, nor contract with any entity that provides, any commission, bonus or other incentive payment based directly or indirectly on success in securing enrollments or financial aid to any person or entity engaged in any student recruitment, admission or financial aid awarding activity. Congress is considering legislation, and the Department of Education is engaged in negotiated rulemaking, to clarify the incentive payment rule. Failure to comply with the incentive payment rule could result in loss of ability to participate in Federal Student Financial Aid programs or financial penalties. Although there can be no assurance that the Department of Education would not find deficiencies in the University's present or former employee compensation and third-party contractual arrangements, the University believes that its employee compensation and third-party contractual arrangements comply with the incentive compensation provisions of the HEA.

DISTANCE LEARNING AND THE "50% RULE"

In 1997, the University received regulatory approval from the D.C. Education Licensure Commission, Virginia State Council of Higher Education, Maryland Higher Education Commission, and Middle States to offer all of its existing degree and diploma programs through Strayer ONLINE via Internet-based telecommunications instruction. Instruction for this program is delivered from the Company's Distance Learning Center in Lorton, Virginia. During the Winter 2002 quarter, the University had 4,260 students taking courses online, of whom 3,222 students took classes solely through Strayer ONLINE.

In addition to the regulation of distance education by state education licensure agencies and Middle States, the HEA imposes a limit on the amount of correspondence study an institution participating in Title IV Programs may offer. The HEA also excludes from Title IV Program participation institutions at which 50% or more of the institution's students are enrolled in correspondence courses, except that the Secretary of Education is authorized to waive this limitation at his/her discretion in the case of institutions offering two- or four-year programs leading to an associate or bachelor degree. Department of Education regulations grant an automatic waiver for these degree-granting institutions if students enrolled in correspondence courses receive five percent or less of the total Title IV Program funds received by all students enrolled at the institution. In accordance with HEA regulations, the Department of Education considers a telecommunications course to be a correspondence course if the sum of telecommunications courses and other correspondence courses the institution provided during an award year equaled or exceeded 50% of the total number of courses it provided during that year. In addition, a student is not eligible for Title IV Program funds for a correspondence course unless such course is part of a program leading to an associate, bachelor or graduate degree. The HEA states that a student enrolled in a course of instruction that is offered in whole or in part through telecommunications and leads to a recognized certificate for a program of study of one year or longer, or a recognized associate, bachelor or graduate degree conferred by such institution, is not considered to be enrolled in a correspondence course, unless the total number of telecommunications and correspondence courses offered by the institution equals or exceeds 50% of the total number of courses offered by the institution. For purposes of the 50% rule, a course must be considered as being offered once during an award year regardless of the number of times it is offered during that year, and a course that is offered both on campus and online must be considered two courses for the purpose of determining the total number of courses the institution provided during an award year. The University's policy is to ensure that it remains in compliance with the 50% rule by offering courses in a manner such that the number of courses offered through Strayer ONLINE will not equal or exceed one half of the total number of courses offered by the University, calculated as set forth above. The University monitors enrollment in and the offering of courses through Strayer ONLINE to ensure that the prescribed limits are not exceeded.

POTENTIAL EFFECT OF REGULATORY VIOLATIONS

If the University fails to comply with the regulatory standards governing Title IV Programs, the Department of Education could impose one or more sanctions, including transferring the University to the reimbursement or cash monitoring system of payment, requiring repayment of certain Title IV funds, certifying the University's eligibility on a provisional basis, taking emergency action, referring the matter for criminal prosecution, or initiating proceedings to impose a fine or to limit, suspend or terminate the participation of the University in Title IV Programs. In addition, the University's guaranty agencies could limit, suspend or terminate the University's eligibility to provide guaranteed student loans in the event of certain regulatory violations. Although there are no such sanctions currently in force, and the University does not believe any such sanctions are contemplated, if such sanctions were imposed against the University and resulted in a substantial curtailment of the University's participation in Title IV Programs, the University would be materially and adversely affected.

If the University lost its eligibility to participate in Title IV Programs, or if the amount of available federal student financial aid were reduced, the University would seek to arrange or provide alternative sources of revenue or financial aid for students. The SEL Program would provide one such alternative, but there can be no assurance that the SEL Program could provide loans sufficient to make up for the loss of Title IV Program funds. Although the University believes that one or more private organizations would be willing to provide financial assistance to students attending the University, there is no assurance that this would be the case, and the interest rate and other terms of such student financial aid might not be as favorable as those for Title IV Program funds. The University may be required to guarantee all or part of such alternative assistance or might incur other additional costs in connection with securing alternative sources of financial aid. Accordingly, the loss of eligibility of the University to participate in Title IV Programs would be expected to have a material adverse effect on the University even if it could arrange or provide alternative sources of revenue or student financial aid.

During 1999, the Department of Education conducted a program review of the University. The Department of Education issued a final program review determination letter indicating that the University satisfactorily responded to the findings in the program review report. In addition, no payments or refunds were required to be made to the Department of Education or lending institutions as a result of this program review.

RESTRICTIONS ON ADDING LOCATIONS AND EDUCATIONAL PROGRAMS

State requirements and accrediting agency standards may in certain instances limit the ability of the University to establish additional locations and programs. District of Columbia regulations require institutions to submit an application for an amended license in order to add a new program or location. The Virginia State Council of Higher Education requires institutions to obtain approval prior to offering new educational programs at existing sites or instruction for degree credit at a new site located more than 25 miles or 30 minutes travel time from an existing location. Maryland law and regulations require institutions to obtain the approval of the Maryland Higher Education Commission in order to offer an instructional program not specified in its certificate of approval or to offer more than one-third of the credit-bearing coursework leading toward a certificate or degree at a location not specified in its certificate of approval. Middle States requires institutions that it accredits to notify it in advance of implementing new programs or locations, and upon notification may undertake a review of the institution's accreditation. Based on its current understanding of how these standards will be applied, the University does not believe that these standards will have a material adverse effect on the University or its expansion plans.

The HEA requires proprietary institutions of higher education to be in full operation for two years before qualifying to participate in Title IV Programs. However, the applicable regulations permit an institution that is already qualified to participate in Title IV Programs to establish an additional location that may immediately qualify, unless the location was acquired from another institution that has ceased offering educational programs at that location and has unpaid Title IV liabilities, and the acquiring institution does not agree to be responsible for certain liabilities of the acquired institution. The new location must satisfy all other applicable requirements for institutional eligibility, including approval of the additional location by the relevant state authorizing agency and the institution's accrediting agency. In addition, a location that qualifies as a "branch campus" must meet extensive regulatory requirements, including the standards of administrative capability and financial responsibility discussed above. The University's expansion plans assume its continued ability to establish new campuses as additional locations of the University under such applicable regulations and thereby avoid incurring the two-year delay in participation in Title IV Programs. The loss of state authorization or accreditation by the University or an existing campus, or the failure of the University or a new campus to obtain state authorization or accreditation, would render the University ineligible to participate in Title IV Programs in that state or at that location.

The Department of Education issued new regulations effective July 1, 2001 concerning adding new locations. Under the new regulations, institutions must report to the Department a new additional location at which at least 50% of an eligible program will be offered, if the institution wants to disburse Title IV Program funds to students enrolled at that location. If the institution participates in Title IV programs under provisional certification, as the University currently does as a result of its 2001 recapitalization and change of ownership (see Change in Ownership Resulting in a Change of Control), and in certain other circumstances, the institution must obtain Department of Education approval for the new location before providing Title IV assistance to students at that location. Otherwise, once it reports the location to the Department, the institution may disburse Title IV Program funds to eligible students at that location if the location is licensed and accredited. Institutions are responsible for knowing whether they need approval, and institutions that add locations and disburse Title IV Program funds when they knew or should have known that they were required to obtain Department of Education approval may be subject to administrative repayments and other sanctions. The Company does not believe that the Department of Education's regulations will create significant obstacles to the University's plans to add new campuses.

Generally, if an institution eligible to participate in Title IV Programs adds an educational program after it has been designated as an eligible institution, the institution must apply to the Department of Education to have the additional program designated as eligible. However, an institution is not obligated to obtain Department of Education approval of an additional program that leads to an associate, baccalaureate, professional or graduate degree or prepares students for gainful employment in the same or related recognized occupation as an educational program that has previously been designated as an eligible program at that institution and meets certain minimum length requirements. In the event that an institution erroneously determines that an educational program is eligible for Title IV funds without the Department of Education's express approval, the institution may be liable for repayment of Title IV aid received by the institution in connection with that program. The Company does not believe that the Department of Education's regulations will create significant obstacles to the University's plans to add new programs.

CHANGE IN OWNERSHIP RESULTING IN A CHANGE OF CONTROL

Many states and accrediting agencies require institutions of higher education to report or obtain approval of certain changes in ownership or other aspects of institutional status, but the types of and triggers for such reporting or approval vary among states and accrediting agencies. The D.C. Education Licensure Commission may require an institution licensed by it to apply to amend its license prior to a change in ownership. The applicable laws and regulations of Virginia and Maryland do not specifically address reporting of changes in ownership. The University's accrediting agency, Middle States, requires institutions that it accredits to inform it in advance of any substantive change, including a change that significantly alters the ownership or control of the institution. Examples of substantive changes requiring advance notice to Middle States include changes in the legal status, ownership or form of control of the institution, such as the sale of a proprietary institution. Middle States must approve a substantive change in advance in order to include the change in the institution's accreditation status.

The HEA provides that an institution that undergoes a change in ownership resulting in a change of control loses its eligibility to participate in the Title IV Programs and must apply to the Department of Education in order to reestablish such eligibility. An institution is ineligible to receive Title IV Program funds during the period prior to recertification. The HEA provides that the Department of Education may provisionally certify an institution seeking approval of a change of ownership and control based on preliminary review by the Department of a materially complete application received by the Department within ten business days after the transaction. The Department may continue such provisional certification on a month-to-month basis until it has rendered a decision on the institution's recertification application. The Department may provisionally certify an institution that has undergone a change in ownership resulting in a change of control for a period expiring not later than the end of the third complete award year following the date of provisional certification. The HEA defines one of the events that would trigger a change in ownership resulting in a change of control as the transfer of the controlling interest of the stock of the institution or its parent corporation. For a publicly-traded corporation, the securities of which are required to be registered under the Exchange Act, such as the Company, the Department of Education regulations implementing the HEA define a change in ownership resulting in a change of control as occurring when a change of control of the corporation takes place that gives rise to the obligation on the part of the corporation to file a Form 8-K with the SEC notifying that agency of the change of control. A change in ownership and control of a publicly traded corporation also occurs if a person who is a controlling shareholder of the corporation ceases to be a controlling shareholder. A controlling shareholder is a shareholder who holds or controls through agreement both 25 percent or more of the total outstanding voting stock of the corporation and more shares of voting stock than any other shareholder.

Under INS regulations, if a school that is approved to admit foreign students changes ownership, approval will be automatically withdrawn 60 days after the change of ownership unless the school files a new petition for school approval within 60 days after that change of ownership. If, after conducting a review, the INS district director finds that the school's approval should not be continued, the district director must institute proceedings to withdraw the school's approval. The University currently has INS approval to admit foreign students for U.S. study, subject to applicable regulations.

Pursuant to federal law providing benefits for veterans and reservists, the University is approved for education of veterans and members of the selective reserve and their dependents by the state approving agency in the District of Columbia, Maryland, and Virginia. In certain circumstances, state approving agencies may require an institution to obtain approval for a change in ownership and control.

In order to complete the change of ownership associated with the Company's self-tender offer to repurchase common shares and its issuance of its Series A Convertible Preferred Stock to New Mountain Partners, L.P. (a private equity fund managed by New Mountain Capital, LLC) and DB Capital Investors, L.P. (an investment fund led by DB Capital Partners, Inc., the merchant banking arm of Deutsche Bank) in March 2001, the University was required to make a number of submissions to educational regulatory bodies, including, among others, (1) filing a "substantive change" report with Middle States; (2) filing an application for approval to participate in federal student financial aid programs with the Department of Education; (3) filings with the D.C. Education Licensure Commission, the Maryland Higher Education Commission, and the Virginia State Council of Higher Education; and (4) filings with the INS and approving agencies for veterans benefits in the District of Columbia, Maryland, and Virginia. All of the applicable agencies approved the transaction, which closed in 2001. As is customary for institutions undergoing a change of ownership resulting in a change of control, the Department of Education recertified the University on a provisional basis through June 30, 2004. Under the terms of the provisional certification the University must obtain approval of the Department of Education before awarding Title IV funds in certain circumstances, including establishment of an additional location, change in ownership, increase in level of academic offering, addition of certain non-degree or short-term training programs, change in form of educational measurement, change in state authorizing agency or primary accrediting agency, or waiver or recognition of regulatory exception.

If the University underwent a change of control that required approval by any state authority, Middle States or any federal agency, and any required regulatory approval were significantly delayed, limited or denied, there could be a material adverse effect on the University's ability to offer certain educational programs, award certain degrees or diplomas, operate one or more of its locations, admit certain students or participate in Title IV Programs, which in turn would materially and adversely affect the University's operations. A change that required approval by a state regulatory authority, Middle States or a federal agency could also delay the University's ability to establish new campuses or educational programs and may have other adverse regulatory effects. Furthermore, the suspension from Title IV Programs and the necessity of obtaining regulatory approvals in connection with a change of control may materially limit the University's flexibility in future financing or acquisition transactions.

ECONOMIC GROWTH AND TAX RELIEF RECONCILIATION ACT OF 2001

The Economic Growth and Tax Relief Reconciliation Act of 2001 (the "Act") made permanent the exclusion of up to \$5,200 from income provided for qualifying employer-provided educational assistance (with respect to courses beginning after December 31, 2001) and extended the exclusion to graduate level programs. In addition, the Act allows taxpayers to claim a HOPE Scholarship Credit or a Lifetime Learning Credit for a taxable year and to exclude from gross income amounts distributed from a Coverdell education savings account on behalf of the same student as long as the distribution is not used for the same education expenses for which a credit was claimed. The Act also increases the annual limit on contributions to Coverdell education savings accounts from \$500 to \$2,000 for taxable years after 2001, with the phase-out range for married taxpayers filing a joint return extended to between \$190,000 and \$220,000 of modified adjusted gross income.

The Act also expands the definition of "qualified tuition program" to include certain prepaid tuition programs established and maintained by one or more eligible educational institutions that satisfy the requirements under section 529 of the Internal Revenue Code. In the case of a qualified tuition program maintained by one or more private eligible educational institutions, the Act allows taxpayers to purchase tuition credits or certificates on behalf of a designated beneficiary but not to make contributions to a savings account plan. The Act allows taxpayers to claim a HOPE Scholarship Credit or Lifetime Learning

Credit for a taxable year and exclude from gross income amounts distributed (both the principal and earnings portions) from a qualified tuition program on behalf of the same student as long as the distribution is not used for the same expenses for which a credit was claimed.

For taxable years beginning after December 31, 2001, the Act permits taxpayers an above-the-line deduction for qualified higher education expenses. For 2002 and 2003, taxpayers with adjusted gross income that does not exceed \$65,000 (\$130,000 in the case of married couples filing joint returns) are entitled to a maximum deduction of \$3,000 per year. The Act also increased the phase-out ranges for eligibility for the student loan interest deduction (for interest paid on qualified education loans after December 31, 2001) to between \$50,000 and \$65,000 for single taxpayers and to between \$100,000 and \$130,000 for married taxpayers filing joint returns, with the ranges adjusted annually for inflation after 2002. In addition, the Act repealed both the limit on the number of months during which interest paid on a qualified education loan is deductible and the restriction that voluntary payments of interest are not deductible (for interest paid on qualified education loans after December 31, 2001).

ITEM 2. PROPERTIES.

As of December 31, 2001, the Company leased fourteen of its various campuses and administrative locations. In February 2002, the Company purchased its Washington D.C., Manassas, VA and Woodbridge, VA facilities from entities affiliated with its former majority stockholder, President and CEO, Ron K. Bailey for an aggregate purchase price of \$12 million. These three campuses comprise 74,600 square feet and had an aggregate annual rent of \$1,626,000. As a result of this purchase, only one of its campuses, Fredericksburg, is now owned by entities affiliated with Mr. Bailey. See "Certain Transactions -- Campus Facilities" and Note 9 to the Company's consolidated financial statements. The table below sets forth certain information regarding each of the Company's properties at December 31, 2001 (except as otherwise noted):

LOCATION -----	APPROXIMATE AREA IN SQUARE FEET -----	INITIAL LEASE TERM YEAR EXPIRES (1) (2) -----
Alexandria, VA.....	22,000	Facility is owned
Anne Arundel County, MD.....	17,000	2004
Arlington, VA.....	26,000	2003
Chesapeake, VA.....	21,000	2011
Chesterfield, VA.....	11,000	2004
Corporate Headquarters (Arlington, VA)	7,000	2012
Fredericksburg, VA.....	17,500	2006
Henrico County (Glen Allen, VA).....	20,800	Facility is owned
Jessup, MD.....	5,100	2003
Loudoun Campus (Ashburn, VA).....	33,000	Facility is owned
Manassas, VA.....	20,800	Facility is owned (3)
Montgomery County (Germantown, MD)....	18,000	2005
Newport News, VA.....	21,000	2011
Owings Mills, MD.....	15,000	2005
Prince George's County, MD.....	21,400	2003
Strayer ONLINE (Lorton, VA).....	16,200	2005
Takoma Park (Washington, D.C.).....	21,800	Facility is owned
Washington, D.C. Campus..... (3)	33,000	Facility is owned
Washington, D.C. Library/Annex.....	12,200	2006
White Marsh (Baltimore, MD).....	20,000	2010
Woodbridge, VA..... (3)	20,800	Facility is owned

(1) A number of these facility leases have renewal options.

(2) The Company also has leases for approximately 44,000 square feet at three locations expiring in 2002 from which it has already or plans to relocate into other space reflected in the table above.

(3) Leased in 2001 and acquired in February 2002.

In March 2002, the Company also entered into leasing arrangements for the three North Carolina campuses it plans to open in 2002, one in Raleigh-Durham and two in Charlotte (each with approximately 12,500 square feet and with initial terms expiring in 2007).

ITEM 3. LEGAL PROCEEDINGS.

From time to time, the Company is involved in litigation and other legal proceedings arising out of the ordinary course of its business. There are no pending material legal proceedings to which the Company is subject or to which the Company's property is subject.

ITEM 4. SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS.

No matters were voted upon by stockholders during the fourth quarter of 2001.

PART II

ITEM 5. MARKET FOR REGISTRANT'S COMMON EQUITY AND RELATED STOCKHOLDER MATTERS.

The Common Stock is traded on the Nasdaq National Market under the symbol "STRA." The following table sets forth, for the periods indicated, the high, low, and closing sale prices of the Company's Common Stock, as reported on the Nasdaq National Market.

	HIGH	LOW	CLOSE

2000:			
First Quarter.....	\$ 31.63	\$ 18.56	\$
26.00			
Second Quarter.....	\$ 27.13	\$ 20.05	\$
24.00			
Third Quarter.....	\$ 26.00	\$ 20.63	\$
21.88			
Fourth Quarter.....	\$ 27.00	\$ 17.50	\$
25.56			
2001:			
First Quarter.....	\$ 35.38	\$ 23.75	\$
35.00			
Second Quarter.....	\$ 50.00	\$ 32.06	\$
48.75			
Third Quarter.....	\$ 54.70	\$ 37.20	\$
44.60			
Fourth Quarter.....	\$ 51.95	\$ 41.39	\$
48.72			

The last sales price of the Common Stock on March 15, 2002, as reported on the Nasdaq National Market, was \$49.73 per share. As of March 15, 2002, there were approximately 8,352,412 shares of Common Stock outstanding, 100 holders of record. In addition, there exist a number (approximately 4,500 as of March 22, 2002) of institutional and other holders of Common Stock whose shares are held in nominee accounts by brokers. On March 15, 2002, the Company also had 5,897,495 shares of Series A Convertible Redeemable Preferred Stock, which are convertible (as of that date) into the same number of shares of Common Stock. The Company also had outstanding options to purchase 930,000 shares of Common Stock as of March 15, 2002.

The Company has established a policy of declaring quarterly cash dividends at the rate of \$0.065 per share (\$0.26 annually) on the Company's Common Stock. Whether to declare dividends and the amount of dividends payable in the future will be reviewed periodically by the Company's Board of Directors in light of the Company's earnings, cash flow, financial condition, capital needs, investment opportunities and regulatory considerations. There is no requirement or assurance that common dividends will continue to be paid.

The Company in 2001 issued its Series A Convertible Mandatorily Redeemable Preferred Stock, the terms of which are described in Note 6 to the Consolidated Financial Statements below. From May 15, 2001 until May 15, 2006, dividends accrue at an annual rate of 7%, with 3.5% payable in cash when the dividend is declared and the rest issued in additional shares and compounding quarterly until the Series A Convertible Mandatorily Redeemable Preferred Stock either converts, is redeemed, or a liquidation event occurs. Beginning on May 16, 2006, dividends accrue at a rate of 3%, all of which is paid in cash when the dividend is declared.

ITEM 6. SELECTED CONSOLIDATED FINANCIAL DATA (IN THOUSANDS, EXCEPT PER SHARE AND OPERATING DATA AMOUNTS).

The following table sets forth, for the periods and at the dates indicated, selected consolidated financial data for the Company. The financial information has been derived from the Company's consolidated financial statements. The information set forth below is qualified by reference to and should be read in conjunction with the Company's consolidated financial statements and notes thereto and "Management's Discussion and Analysis of Financial Condition and Results of Operations" included elsewhere in this annual report.

	YEAR ENDED DECEMBER 31,					4 YEAR CAGR
	1997	1998	1999	2000	2001	
INCOME STATEMENT DATA:						
Total revenues.....	\$ 53,131	\$ 62,872	\$ 69,776	\$ 78,214	\$ 92,876	15%
Costs and expenses						
Instruction and educational support.....	19,738	22,355	25,082	28,187	33,699	
Selling and promotion.....	5,476	5,923	7,765	8,480	12,576	
General and administration.....	7,232	8,387	9,405	10,620	13,094	
	32,446	36,665	42,252	47,287	59,369	
Income from operations.....	20,685	26,207	27,524	30,927	33,507	13%
Investment and other income.....	2,764	3,180	4,302	4,756	3,791	
Income before income taxes.....	23,449	29,387	31,826	35,683	37,298	
Provision for income taxes.....	9,012	11,440	12,500	13,974	14,489	
Net income.....	\$ 14,437	\$ 17,947	\$ 19,326	\$ 21,709	\$ 22,809	12%
NET INCOME PER SHARE						
Basic.....	\$ 0.96	\$ 1.15	\$ 1.25	\$ 1.42	\$ 1.62	
Diluted.....	\$ 0.93	\$ 1.12	\$ 1.23	\$ 1.41	\$ 1.55	14%
WEIGHTED AVERAGE SHARES OUTSTANDING						
Basic.....	15,037	15,626	15,506	15,324	10,970	
Diluted (a).....	15,590	16,063	15,711	15,451	14,737	
OTHER DATA:						
EBITDA (b).....	21,921	27,832	29,418	32,990	36,150	
EBITDA as % of revenue	41.3%	44.3%	42.2%	42.2%	38.9%	
Depreciation	1,236	1,625	1,894	2,063	2,643	
Capital expenditures	2,286	7,392	4,851	4,388	6,274	
% Return on average equity (c).....	28.7%	24.5%	23.8%	24.3%	25.5%	
Cash dividends per common share.....	\$ 0.17	\$ 0.23	\$ 0.24	\$ 0.25	\$ 0.26	
Enrollment (d).....	9,419	10,449	11,504	12,096	14,009	10%
Campuses (e).....	10	11	13	14	17	14%

	AT DECEMBER 31,				
	1997	1998	1999	2000	2001
BALANCE SHEET DATA:					
Cash and cash equivalents.....	\$ 15,934	\$ 18,614	\$ 12,213	\$ 25,190	\$ 57,659
Working capital.....	20,600	23,363	18,170	26,742	49,846
Total assets.....	78,248	97,146	98,096	119,139	110,488
Long-term liabilities.....	137	330	141	--	763
Total liabilities.....	13,125	15,501	17,035	21,395	29,513
Mandatorily redeemable convertible preferred stock.....	--	--	--	--	148,347
Total stockholders' equity (deficit)	65,123	81,645	81,061	97,744	(67,372)

(a) Diluted weighted average shares outstanding reflect the issuance in May 2001 and assumed conversion of the Series A Convertible Mandatorily Redeemable Preferred Stock and outstanding options (See Notes 5 and 6 to Consolidated Financial Statements).

(b) EBITDA is defined as earnings before interest, taxes, depreciation and amortization.

(c) % Return on average equity is calculated by dividing net income by average stockholders' equity, including Preferred Stock. Average stockholders' equity is calculated by dividing beginning and ending stockholders' equity by two.

(d) Reflects student enrollment as of the beginning of the Fall academic quarter for each year indicated. See "Management's Discussion and Analysis of Financial Condition and Results of Operations -- Seasonality."

(e) Reflects number of campuses in operation at December 31.

ITEM 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS.

Certain of the statements included in the "Management's Discussion and Analysis of Financial Condition and Results of Operations" as well as elsewhere in this report on Form 10-K are forward-looking statements made pursuant to the Private Securities Litigation Reform Act of 1995 ("Reform Act"). These statements are based on the Company's current expectations and are subject to a number of risks and uncertainties. In connection with the Safe Harbor provisions of the Reform Act, the Company has identified important factors that could cause the actual results to differ materially from those expressed in or implied by such statements. The uncertainties and risks include the pace of growth of student enrollment, our continued compliance with Title IV of the Higher Education Act, competitive factors, risks associated with the opening of new campuses and the timing of related regulatory approvals and general economic and market conditions. Further information about these and other relevant risks and uncertainties may be found elsewhere in this annual report on Form 10-K and in the Company's other filings with the Securities and Exchange Commission, all of which are incorporated herein by reference and are available from the Commission and from the Company's world wide web site at www.strayeredu.com as well as from other sources. The Company undertakes no obligation to update or revise forward looking statements.

BACKGROUND AND OVERVIEW

Strayer Education, Inc. ("Strayer" or the "Company") is an education services holding company which owns Strayer University, Inc. (the "University") and Education Loan Processing, Inc. ("ELP"). The University is an institution of higher education offering undergraduate and graduate degree programs at seventeen campuses in Maryland, Virginia, and the District of Columbia and worldwide through Strayer ONLINE. The University has also received approval from its accrediting agency and the University of North Carolina Board of Governors to offer post-secondary education in North Carolina at three campuses to be opened in 2002. ELP administers Strayer's education loan programs.

In May 2001, the Company issued \$150 million of convertible mandatorily redeemable Series A Preferred Stock. The Company used the \$150 million together with approximately \$36 million of cash to repurchase 7,175,000 shares of outstanding common stock of the Company from the Company's majority stockholder at \$25.00 per share.

As set forth below, enrollment (measured by Fall quarter to Fall quarter), full-time tuition rates, revenues, operating income, and net income have all increased in each of the last three years.

	1999	2000	2001
	-----	-----	-----
Fall enrollment.....	11,504	12,096	14,009
% Change from prior year.....	10.1%	5.1%	
15.8%			
Full-time tuition (per credit hour).....	200.00	210.00	220.50
% Change from prior year.....	5.3%	5.0%	
5.0%			
Revenues.....	69,776	78,214	92,876
% Change from prior year.....	11.0%	12.1%	
18.7%			
Operating income.....	27,524	30,927	33,507
% Change from prior year	5.0%	12.4%	
8.3%			
Net income.....	19,326	21,709	22,809
% Change from prior year	7.7%	12.3%	
5.1%			
Diluted earnings per share.....	1.23	1.41	1.55
% Change from prior year (a).....	10.1%	14.2%	
10.2%			

(a) % change based on unrounded actual numbers

The University derives over 98% of its revenue from tuition collected from its students. The academic year of the University is divided into four quarters, which approximately coincide with the four quarters of the calendar year. Students make payment arrangements for the tuition for each course prior to the beginning of the quarter. When students register for courses, tuition is recorded as unearned tuition, which is recognized as courses are taught through the academic quarter. If a student withdraws from a course prior to completion, the University refunds a portion of the tuition depending on when the withdrawal occurs. The University also derives revenue from various fees such as application fees, examination fees, and "no-show" fees. Beginning in 1998, the University contracted out its bookstore operations to a third party.

The University records tuition receivable when students register for the academic quarter, generally prior to the end of the previous academic quarter. Because the University's academic quarters coincide with the calendar quarters, tuition receivable at the end of any calendar quarter largely represents student tuition due for the following academic quarter. Based upon past experience and judgment, the University establishes an allowance for doubtful accounts with respect to accounts receivable not included in unearned tuition. Any uncollected account more than six months past due is charged against the allowance. The Company's bad debt expense as a percentage of revenue for the years ended December 31, 1999, 2000, and 2001 was 2.4%, 2.7% and 1.7%, respectively. See Schedule II - Valuation and Qualifying Accounts after Note 11 to the Company's Consolidated Financial Statements below.

The University's expenses consist of instruction and educational support expenses, selling and promotional expenses, and general and administration expenses. Instruction and educational support expenses generally contain items of expense directly attributable to the educational activity of the University. This expense category includes salaries and benefits of faculty, academic administrators, and student support personnel. Instruction and educational support expenses also include costs of educational supplies and facilities, including rent on campus leases, certain costs of establishing and maintaining computer laboratories, and all other physical plant and occupancy costs, with the exception of costs attributable to the Jessup, Maryland and Newington, Virginia facilities, both of which are under leases which are expiring in 2002.

Selling and promotional expenses include salaries and benefits of personnel engaged in recruitment, admissions, promotion and development, as well as costs of advertising and production of marketing materials.

General and administration expenses include salaries and benefits of employees engaged in management, student services, accounting, human resources, compliance and other business functions, along with the occupancy costs attributable to such functions.

Investment and other income consist primarily of earnings and realized gains on investments.

CRITICAL ACCOUNTING POLICIES AND ESTIMATES

Management's Discussion and Analysis of Financial Condition and Results of Operations discusses the Company's consolidated financial statements, which have been prepared in accordance with the generally accepted accounting principles of the United States. The preparation of these consolidated financial statements requires management to make estimates and judgments that affect the reported amounts of assets, liabilities, revenues and expenses and the related disclosures of contingent assets and liabilities. On an ongoing basis, management evaluates its estimates and judgments related to its allowance for uncollectible accounts, reserves for student loan losses, income tax provisions and accrued expenses. Management bases its estimates and judgments on historical experience and various other factors and assumptions that are believed to be reasonable under the circumstances, the results of which form the basis for making judgments regarding the carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates under different assumptions or conditions.

Management believes that the following critical accounting policies affect its more significant judgments and estimates used in the preparation of its consolidated financial statements. The Company records estimates for its allowance for uncollectible accounts for tuition receivable from students and for loan loss reserves from student loans granted. If the financial condition of the Company's students were to deteriorate, resulting in impairment of their ability to make required payments for tuition or loans payable to the Company, additional allowances and loan reserves may be required. The Company records estimates for its accrued expenses and income tax liabilities. Should actual results differ from the Company's estimates, revisions to its accrued expenses and income tax liabilities may be required.

RESULTS OF OPERATIONS

The following table sets forth certain income statement data as a percentage of revenues for the periods indicated:

	YEAR ENDED DECEMBER 31 ,		
-----	1999	2000	2001
-----	-----	-----	-----
Revenues:.....	100.0%	100.0%	
100.0%	-----	-----	-----
Costs and expenses:			
Instruction and educational			
support.....	35.9	36.0	36.3
Selling and promotional.....	11.1	10.8	13.5
General and administration.....	13.5	13.6	14.1
	-----	-----	-----
Income from operations.....	39.5	39.5	36.1
Investment and other income.....	6.2	6.1	4.1
	-----	-----	-----
Income before taxes.....	45.7	45.6	40.2
Provision for income taxes.....	18.0	17.9	15.6
	-----	-----	-----
Net income.....	27.7%	27.8%	
24.6%	=====	=====	=====
Tax Rate.....	39.3%	39.2%	
38.8%			

YEAR ENDED DECEMBER 31, 2001 COMPARED TO YEAR ENDED DECEMBER 31, 2000

Revenues. Revenues increased 18.7% from \$78.2 million in 2000 to \$92.9 million in 2001 due to an increase in the number of students and a 5% tuition increase in 2001.

Instruction and educational support expenses. Instruction and educational support expenses increased 19.6% from \$28.2 million in 2000 to \$33.7 million in 2001. A salary increase of 4% effective in October 2000, the addition of new faculty due to enrollment growth and the addition of three new campuses contributed to the increase.

Selling and promotional expenses. Selling and promotional expenses increased 48.3% from \$8.5 million in 2000 to \$12.6 million in 2001 due principally to an increase in advertising costs, specifically television advertising, increased advertising for the new campus openings and the Company's Strayer

ONLINE activities, increases in number of admission representatives at existing campuses and ONLINE, and the addition of admissions personnel at three new campuses.

General and administration expenses. General and administration expenses increased 23.3% from \$10.6 million in 2000 to \$13.1 million in 2001 due principally to the addition of three new campuses, an increase in administrative personnel and the addition of a new chief executive officer, chief operating officer, corporate counsel, chief technology officer and a new marketing director.

Income from operations. Income from operations increased 8.3% from \$30.9 million in 2000 to \$33.5 million in 2001. This increase was due to the aforementioned factors.

Investment and other income. Investment and other income decreased 20.3% from \$4.8 million in 2000 to \$3.8 million in 2001. The Company liquidated a majority of its marketable securities in the first quarter of 2001 to help fund the Company's self-tender offer. This decline in marketable securities along with a lower interest rate environment resulted in lower investment income which was partially offset by a \$0.9 million gain from the liquidation of the marketable securities.

Provision for income taxes. Income tax expense increased 3.7% from \$14.0 million in 2000 to \$14.5 million in 2001. This increase was primarily due to the increase in income before taxes attributable to the factors discussed above, and a slightly lower tax rate.

Net income. Net income increased 5.1% from \$21.7 million in 2000 to \$22.8 million in 2001 because of the factors discussed above.

YEAR ENDED DECEMBER 31, 2000 COMPARED TO YEAR ENDED DECEMBER 31, 1999

Revenues. Revenues increased 12.1% from \$69.8 million in 1999 to \$78.2 million in 2000 due to an increase in the number of students and a 5% tuition increase in 2000.

Instruction and educational support expenses. Instruction and educational support expenses increased 12.4% from \$25.1 million in 1999 to \$28.2 million in 2000 due to an increase in the number of personnel to support increased enrollment, salary increases and the addition of a new campus in Chesterfield, Virginia.

Selling and promotional expenses. Selling and promotional expenses increased 9.2% from \$7.8 million in 1999 to \$8.5 million in 2000 due principally to increased advertising costs, and the addition of admissions personnel.

General and administration expenses. General and administration expenses increased 12.9% from \$9.4 million in 1999 to \$10.6 million in 2000 due principally to the addition of administrative personnel in order to support increased enrollments and the addition of a new campus in Chesterfield, Virginia.

Income from operations. Income from operations increased 12.4% from \$27.5 million in 1999 to \$30.9 million in 2000. This increase was primarily due to the increases in student enrollment and tuition in 2000.

Investment and other income. Investment and other income increased 10.6% from \$4.3 million in 1999 to \$4.8 million in 2000 due to an increase in realized investment gains and interest on higher levels of invested cash and cash equivalents.

Provision for income taxes. Income tax expense increased 11.8% from \$12.5 million in 1999 to \$14.0 million in 2000. This increase was primarily due to the increase in income before taxes attributable to the factors discussed above and no material change in the Company's tax rate.

Net income. Net income increased 12.3% from \$19.3 million in 1999 to \$21.7 million in 2000 because of the factors discussed above.

SEASONALITY

The Company's quarterly results of operations tend to vary significantly within a year because of student enrollment patterns. Enrollment generally is highest in the fourth, or Fall quarter, and lowest in

the third, or Summer quarter. In 2001, enrollments at the beginning of the Winter, Spring, Summer and Fall academic quarters were 12,005, 12,044, 9,379 and 14,009, respectively.

Costs generally are not affected by the seasonal factors and do not vary significantly on a quarterly basis. To some extent, however, instructional and educational support expenses are lower in the third quarter because fewer part-time faculty are needed.

The following table sets forth the Company's revenues on a quarterly basis for the years ended December 1999, 2000 and 2001.

QUARTERLY REVENUE
(DOLLARS IN THOUSANDS)

----- THREE MONTHS ENDED -----	1999		2000		2001	
	AMOUNT	PERCENT	AMOUNT	PERCENT	AMOUNT	PERCENT
March 31.....	\$ 18,914	27%	\$ 21,128	27%	\$23,644	25%
June 30.....	17,643	25	20,325	26	23,826	26
September 30.....	12,866	19	14,691	19	18,222	20
December 31.....	20,353	29	22,070	28	27,184	29
	-----	---	-----	---	-----	---
Total for Year.	\$ 69,776	100%	\$ 78,214	100%	\$92,876	100%
	=====	===	=====	===	=====	===

LIQUIDITY AND CAPITAL RESOURCES

As set forth below, during 2001, the Company generated significant cash from operations. Furthermore, the Company has no debt. In May 2001, the Company issued the Series A Convertible Mandatorily Redeemable Preferred Stock raising \$150 million (\$146.6 million, net of expenses) and sold marketable securities of \$50.1 million to help fund the Company's \$183 million self-tender offer of common stock. Capital expenditures for 2001 were \$6.2 million and the Company paid \$5.1 million in dividends to the common and preferred stockholders.

ABBREVIATED CASH FLOWS
(DOLLARS IN MILLIONS)

	FOR THE YEAR ENDED		
	DECEMBER 31,		
2001	1999	2000	
-----	-----	-----	
Net income	\$19.3	\$21.7	\$22.8
Non-cash items	2.1	2.2	2.8
Gain on sale of marketable securities (0.9)	--	--	
Student loans (1.3)	(1.1)	(1.0)	
Change in assets and liabilities	(1.5)	4.4	4.4
	-----	-----	-----
Cash from operating activities	18.8	27.3	27.8
Capital expenditures (6.2)	(4.8)	(4.4)	
Common stock dividends - cash (3.1)	(3.3)	(3.8)	
Preferred stock dividends - cash (2.0)	--	--	
Sale (purchase) of marketable securities	(0.3)	(4.7)	50.1
Issuance of preferred stock, net	--	--	146.6
Repurchase of common stock (183.0)	(17.7)	(2.0)	
Proceeds from the exercise of stock options	0.9	0.6	1.5
Lease incentives	--	--	0.8
	-----	-----	-----
Net increase (decrease) in cash	(\$6.4)	\$13.0	\$32.5
	=====	=====	=====

As set forth below, at December 31, 2001, the Company had cash and cash equivalents and marketable securities of \$57.7 million compared to \$75.1 million at December 31, 2000. Currently, the Company invests its cash in bank overnight deposits and money market funds. In addition, the Company

has available a \$10 million credit facility from a bank. The Company believes that existing cash and cash equivalents, cash generated from operating activities, and if necessary, cash borrowed under the credit facility, will be sufficient to meet the Company's requirements for at least the next 24 months.

CASH AND MARKETABLE SECURITIES
(DOLLARS IN MILLIONS)

	AT	DECEMBER	31,
	1999	2000	2001

Cash and cash equivalents	\$ 12.2	\$ 25.2	\$
57.7			
Marketable securities	45.3	49.9	
--			

Total	\$ 57.5	\$ 75.1	\$
57.7			
=====			
Investment and other income	\$ 4.3	\$ 4.8	\$
3.8			
=====			

The Company has the following contractual commitments associated with operating leases and preferred stock cash dividends:

	PAYMENTS DUE BY PERIOD (IN THOUSANDS)			
	WITHIN 1 YEAR	2-3 YEARS	4-5 YEARS	AFTER 5 YEARS
Operating Leases	\$ 4,780	\$ 7,663	\$ 5,241	\$ 9,849
Preferred Stock Cash Dividends*	5,250	10,500	10,452	25,140
Total	\$10,030	\$ 18,163	\$15,693	\$ 34,989

* Common stock dividend payments, while not contractual commitments, have historically been paid by the Company.

IMPACT OF INFLATION

Inflation has not had a significant impact on the Company's historical operations.

ITEM 7A. QUANTITATIVE AND QUALITATIVE DISCLOSURE ABOUT MARKET RISK.

The Company is exposed to the impact of interest rate changes and may be exposed to changes in the market values of its future investments. The Company invests its excess cash in cash equivalents and marketable securities. At December 31, 2001, the Company's investments were in cash and cash equivalents including money market mutual funds and bank CD's. The Company has not used derivative financial instruments in its investment portfolio.

Investments in money market mutual funds may adversely affect future earnings should interest rates decline. The Company's future investment income may fall short of expectations due to changes in interest rates or, with future investments, the Company may suffer losses in principal if forced to sell securities which have declined in market value due to changes in interest rates. As of December 31, 2001, a 10% increase or decline in interest rates will not have a material impact on the Company's future earnings, fair values, or cash flows related to investments in

cash equivalents or interest earning marketable securities.

ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA.

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All other schedules are omitted because they are not applicable or the required information is included in the consolidated financial statements or notes thereto.

REPORT OF INDEPENDENT ACCOUNTANTS

The Board of Directors and Stockholders
Strayer Education, Inc.

In our opinion, the consolidated financial statements listed in the accompanying index present fairly, in all material respects, the financial position of Strayer Education, Inc. and its subsidiaries (the "Company") as of December 31, 2001 and 2000, and the results of their operations and their cash flows for each of the three years in the period ended December 31, 2001, in conformity with accounting principles generally accepted in the United States of America. In addition, in our opinion, the financial statement schedule listed in the accompanying index presents fairly, in all material respects, the information set forth therein when read in conjunction with the related consolidated financial statements. These financial statements and financial statement schedule are the responsibility of the Company's management; our responsibility is to express an opinion on these financial statements and financial statement schedule based on our audits. We conducted our audits of these statements in accordance with auditing standards generally accepted in the United States of America, which require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

PricewaterhouseCoopers LLP

Washington, D.C.
February 1, 2002

STRAYER EDUCATION, INC.
CONSOLIDATED BALANCE SHEETS
(IN THOUSANDS, EXCEPT SHARE DATA)

	DECEMBER 31,	
	2000	2001
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 25,190	\$ 57,659
Marketable securities available for sale, at fair value	5,918	--
Short-term investments-- restricted	1,008	1,046
Tuition receivable, net of allowances for doubtful accounts of \$489 and \$457 in 2000 and 2001, respectively	15,264	19,012
Other current assets	757	879
	48,137	78,596
Student loans receivable, net of allowances for losses	7,288	8,392
Property and equipment, net	19,469	23,100
Marketable securities available for sale, at fair value	43,982	--
Other assets	263	400
	\$ 119,139	\$ 110,488
	=====	=====
LIABILITIES AND STOCKHOLDERS' EQUITY (DEFICIT)		
Current liabilities:		
Accounts payable	\$ 769	\$ 792
Accrued expenses	1,325	1,652
Income taxes payable	323	1,247
Dividends payable	995	1,855
Unearned tuition	17,983	23,204
	21,395	28,750
Long-term liabilities	--	763
	21,395	29,513
	=====	=====
Commitments and contingencies		
Mandatorily redeemable convertible preferred stock, par value \$.01; liquidation preference \$151,988 (excluding accrued dividends); 8,000,000 shares authorized; 5,845,676 Series A shares issued and outstanding in 2001	--	148,347
Stockholders' equity (deficit):		
Common stock, par value \$.01; 20,000,000 shares authorized; 15,303,166 and 8,352,412 shares issued and outstanding in 2000 and 2001, respectively	153	83
Additional paid-in capital	33,119	1,759
Retained earnings (accumulated deficit)	64,069	(69,214)
Accumulated other comprehensive income	403	--
	97,744	(67,372)
	\$ 119,139	\$ 110,488
	=====	=====

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

STRAYER EDUCATION, INC.
CONSOLIDATED STATEMENTS OF INCOME
(IN THOUSANDS, EXCEPT PER SHARE DATA)

FOR THE YEAR ENDED
DECEMBER 31,

	1999	2000	2001
-----	-----	-----	
Revenues	\$69,776	\$78,214	
\$92,876	-----	-----	

Costs and expenses:			
Instruction and educational support ...	25,082	28,187	
33,699			
Selling and promotion	7,765	8,480	
12,576			
General and administration	9,405	10,620	
13,094	-----	-----	

	42,252	47,287	
59,369	-----	-----	

Income from operations	27,524	30,927	
33,507			
Investment and other income	4,302	4,756	
3,791	-----	-----	

Income before income taxes	31,826	35,683	
37,298			
Provision for income taxes	12,500	13,974	
14,489	-----	-----	

Net income	\$19,326	\$21,709	
\$22,809			
Preferred stock dividends and accretion..	--	--	
5,010	-----	-----	

Net income available to common stockholders	\$19,326	\$21,709	
\$17,799	=====	=====	
=====			
Net income per share:			
Basic	\$ 1.25	\$ 1.42	\$
1.62			
Diluted	\$ 1.23	\$ 1.41	\$
1.55			
Weighted average shares outstanding			
Basic	15,506	15,324	
10,970			
Diluted	15,711	15,451	
14,737			

STRAYER EDUCATION, INC.

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
(IN THOUSANDS)

	FOR THE YEAR ENDED DECEMBER 31,		
	1999	2000	2001

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

Comprehensive income	\$19,122	\$21,573	
\$22,406			
=====	=====	=====	

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

STRAYER EDUCATION, INC.
CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY (DEFICIT)
(IN THOUSANDS, EXCEPT SHARE DATA)

	COMMON STOCK		ADDITIONAL PAID-IN CAPITAL	RETAINED EARNINGS (ACCUMULATED DEFICIT)	ACCUMULATED OTHER COMPREHENSIVE INCOME	TOTAL
	SHARES	AMOUNT				
Balance, December 31, 1998	15,774,477	\$ 158	\$ 50,470	\$ 30,274	\$ 743	\$ 81,645
Exercise of stock options	133,203	1	903	--	--	904
Repurchase of common stock	(630,429)	(6)	(17,723)	--	--	(17,729)
Dividends (\$0.24 per share)	--	--	--	(3,406)	--	(3,406)
Tax benefit from exercise of stock options	--	--	525	--	--	525
Net unrealized losses on marketable securities	--	--	--	--	(204)	(204)
Net income	--	--	--	19,326	--	19,326
Balance, December 31, 1999	15,277,251	153	34,175	46,194	539	81,061
Exercise of stock options	88,615	1	590	--	--	591
Repurchase of common stock	(62,700)	(1)	(2,028)	--	--	(2,029)
Dividends (\$0.25 per share)	--	--	--	(3,834)	--	(3,834)
Tax benefit from exercise of stock options	--	--	382	--	--	382
Net unrealized losses on marketable securities	--	--	--	--	(136)	(136)
Net income	--	--	--	21,709	--	21,709
Balance, December 31, 2000	15,303,166	153	33,119	64,069	403	97,744
Exercise of stock options	224,246	2	1,493	--	--	1,495
Repurchase of common stock including transaction costs of \$3,671	(7,175,000)	(72)	(34,528)	(148,446)	--	(183,046)
Preferred stock dividends and accretion ..	--	--	--	(5,010)	--	(5,010)
Common stock dividends (\$0.26 annually per share)	--	--	--	(2,636)	--	(2,636)
Tax benefit from exercise of stock options	--	--	1,675	--	--	1,675
Reclassification adjustment for realized gains included in net income.....	--	--	--	--	(403)	(403)
Net income	--	--	--	22,809	--	22,809
Balance, December 31, 2001	8,352,412	\$ 83	\$ 1,759	\$ (69,214)	\$ --	\$ (67,372)

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

STRAYER EDUCATION, INC.
CONSOLIDATED STATEMENTS OF CASH FLOWS
(IN THOUSANDS)

	FOR THE YEAR ENDED DECEMBER 31,		
	1999	2000	2001
Cash flows from operating activities:			
Net income	\$ 19,326	\$ 21,709	\$ 22,809
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation and amortization	1,894	2,063	2,643
Provision for student loan losses	216	172	196
Deferred income taxes	(248)	(147)	144
Gain on sale of marketable securities	--	--	(887)
Changes in assets and liabilities:			
Short-term investments-- restricted	(37)	(49)	(38)
Tuition receivable, net	(3,185)	(267)	(3,748)
Income taxes	599	906	2,600
Other current assets	(114)	42	(145)
Other assets	(97)	56	--
Accounts payable	17	279	23
Accrued expenses	(520)	902	327
Unearned tuition	2,098	2,612	5,221
Student loans originated or acquired	(5,124)	(5,499)	(7,313)
Collections on student loans receivable	3,996	4,475	6,013
Net cash provided by operating activities	18,821	27,254	27,845
Cash flows from investing activities:			
Purchases of property and equipment	(4,851)	(4,388)	(6,274)
Purchases of marketable securities	(9,298)	(14,157)	--
Maturities of marketable securities	9,030	9,462	50,126
Net cash provided by (used in) investing activities.....	(5,119)	(9,083)	43,852
Cash flows from financing activities:			
Common dividends paid	(3,278)	(3,756)	(3,088)
Preferred dividends paid	--	--	(1,976)
Lease incentives	--	--	763
Proceeds from exercise of stock options	904	591	1,495
Repurchase of common stock	(17,729)	(2,029)	(183,046)
Issuance of preferred stock, net	--	--	146,624
Net cash used in financing activities	(20,103)	(5,194)	(39,228)
Net increase (decrease) in cash and cash requirements	(6,401)	12,977	32,469
Cash and cash equivalents-- beginning of year	18,614	12,213	25,190
Cash and cash equivalents-- end of year	\$ 12,213	\$ 25,190	\$ 57,659

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

STRAYER EDUCATION, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1. ORGANIZATION AND NATURE OF OPERATIONS

Strayer Education, Inc. (the "Company"), a Maryland corporation, conducts its operations through its subsidiaries, Strayer University, Inc. (the "University") and Education Loan Processing, Inc. ("ELP"). The University is an accredited institution of higher education that provides undergraduate and graduate degrees in various fields of study through its seventeen campuses in the District of Columbia, Maryland and Virginia. The Company has also been approved to offer its programs in North Carolina and plans to open three campuses in that state in 2002.

In May 2001, the Company underwent a \$150 million recapitalization and change of control transaction in which it issued 5,769,231 shares of its Series A Convertible Mandatorily Redeemable Preferred Stock of the Company to an investor group consisting of New Mountain Partners L.P. and DB Capital Investors, L.P. (collectively, the "Investors"). The Series A Convertible Mandatorily Redeemable Preferred Stock has an effective dividend yield of 5.43% and is convertible into common stock at a price of \$26.00 per share, subject to adjustment under certain circumstances. (See Note 6 below.) The Company used the \$150 million, together with approximately \$36.4 million of its cash and marketable securities, to repurchase 7,175,000 shares of outstanding common stock of the Company from the Company's then CEO and majority stockholder at \$25.00 per share.

PRINCIPLES OF CONSOLIDATION

The consolidated financial statements include the accounts of the Company and its subsidiaries, the University, ELP, and Professional Education, Inc. (which is currently an inactive subsidiary). All inter-company accounts and transactions have been eliminated in the consolidated financial statements.

CASH AND CASH EQUIVALENTS

Cash and cash equivalents consist of operating cash and cash invested in money market mutual funds and bank CD's. The Company places its cash and temporary cash investments with high quality credit institutions. The Company considers all highly liquid instruments purchased with a maturity of three months or less at the date of purchase to be cash equivalents.

INVESTMENTS

The Company's investments in marketable securities are considered "available-for-sale" and, as such are stated at fair value. The net unrealized gains and losses are reported as a component of accumulated comprehensive income in stockholders' equity (deficit). Realized gains or losses from the sale of marketable securities are based on the specific identification method.

TUITION REVENUES

Tuition income is deferred at the time of registration and is recognized as income, net of any refunds or withdrawals, throughout each respective quarter session. Advance registrations for the next quarter are shown as unearned tuition.

STUDENT LOANS RECEIVABLE

Student loans receivable are stated at the amount of unpaid principal, reduced by an allowance for loan losses. Interest income from student loans is recognized using the interest method.

Provisions for estimated losses on student loans are charged to income in amounts sufficient to maintain the allowance at a level considered adequate to cover the losses of principal and interest in the existing loan portfolio, based upon historical trends, economic conditions and other information. ELP's charge-off policy is based on a loan-by-loan review; however, any loan with payments more than 120 days past due is written off against the allowance.

STRAYER EDUCATION, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

ELP's student loans receivable have been classified as non-current assets, consistent with industry practice. All of ELP's other assets and liabilities have been classified as current assets and current liabilities for consolidation purposes.

CONCENTRATION OF CREDIT RISK

The Company places its cash and temporary cash investments in money market mutual funds and bank CD's with high credit quality institutions. At times cash and cash equivalent balances may be in excess of the FDIC insurance limit. The Company has not experienced any losses on its cash and cash equivalents.

Tuition receivables are not collateralized; however, credit risk is minimized as a result of the diverse nature of the University's student base in the District of Columbia, Maryland, and Virginia. The University establishes an allowance for doubtful tuition accounts based upon historical trends and other information.

Student loans are receivable from the University's students. The Company performs credit evaluations and requires cosigners in some instances to minimize credit risk.

PROPERTY AND EQUIPMENT

Property and equipment are stated at cost. Depreciation of property and equipment is calculated using the straight-line method over the estimated useful lives ranging from 3 to 40 years. Depreciation and amortization amounted to \$1,894,000, \$2,063,000 and \$2,643,000 for the years ended December 31, 1999, 2000, and 2001, respectively.

INCOME TAXES

The Company provides for deferred income taxes based on temporary differences between financial statement and income tax bases of assets and liabilities using enacted tax rates in effect in the year in which the differences are expected to reverse.

NET INCOME PER SHARE

Basic earnings per share is computed by dividing net income available to common stockholders by the weighted average number of shares of common stock outstanding during the periods. Diluted earnings per share is computed by dividing net income by the weighted average common and potentially dilutive common equivalent shares outstanding, determined as follows (in thousands):

	1999	2000	2001
	-----	-----	-----
Weighted average shares outstanding used to compute basic earnings per share.....	15,506	15,324	
10,970			
Incremental shares issuable upon the assumed conversion of preferred stock.....	--	--	
3,661			
Incremental shares issuable upon the assumed exercise of stock options.....	205	127	
106			
-----	-----	-----	
Shares used to compute diluted earnings per share..	15,711	15,451	
14,737			
=====	=====	=====	

Incremental shares issuable upon the assumed exercise of outstanding stock options is computed using the average market price during the related periods.

USE OF ESTIMATES

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the

STRAYER EDUCATION, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of expenses during the period reported. The most significant management estimates included allowances for uncollectible accounts and student loans receivable, accrued expenses, and the provision for income taxes. Actual results could differ from those estimates.

COMPREHENSIVE INCOME

Comprehensive income consists of net income and unrealized gains (losses) on investments in marketable securities, net of income taxes.

RECLASSIFICATION

Certain amounts for the year ended December 31, 1999 have been reclassified to operating activities on the consolidated statements of cash flows to conform with the December 31, 2000 and 2001 presentations.

RECENT ACCOUNTING PRONOUNCEMENTS

In July 2001, the FASB issued Statement of Financial Accounting Standards No. 141, "Business Combinations" ("FAS 141"). FAS 141 supersedes Accounting Principles Board Opinion No. 16 Business Combinations. FAS 141 requires the purchase method of accounting be used for all business combinations initiated after June 30, 2001, establishes specific criteria for the recognition of intangible assets separately from goodwill, and requires unallocated negative goodwill to be written off immediately as an extraordinary gain (instead of being deferred and amortized).

In July 2001, the Financial Accounting Standards Board issued Statement of Financial Standards No. 142, "Goodwill and Other Intangible Assets" ("FAS 142"). FAS 142 supersedes Accounting Principles Board Opinion No. 17, "Intangible Assets". FAS 142 addresses the accounting for goodwill and intangible assets subsequent to their acquisition. Goodwill and indefinite lived intangible assets can no longer be amortized, must be tested for impairment at least annually at the reporting unit level, and the amortization period of intangible assets with finite lives will no longer be limited to forty years. FAS 142 is effective for fiscal years beginning after December 15, 2001.

The Company has not made any acquisitions after June 30, 2001 and the Company does not have goodwill or intangible assets. The adoption of FAS 141 and FAS 142 will not have any affect on the consolidated financial statements.

2. INVESTMENTS

SHORT-TERM INVESTMENTS -- RESTRICTED

The U.S. Department of Education requires Title IV Program loan funds collected in excess of amounts due for tuition to be kept in a cash or cash equivalent account until such amounts are required to be remitted to students. These funds are invested in short-term U.S. Treasury Notes.

MARKETABLE SECURITIES

The Company liquidated all of its investments in marketable securities and holds no investments as of December 31, 2001. The cost and fair value for each class of investments as of December 31, 2000 are as follows (in thousands):

STRAYER EDUCATION, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

2000

	COST	GROSS UNREALIZED GAINS	GROSS UNREALIZED LOSSES	FAIR VALUE
Certificates of deposit and money market funds.....	\$20,580	\$ --	\$ --	\$
20,580				
Fixed income investments.....	20,591	183	124	
20,650				
Equity securities.....	8,068	651	49	
8,670				
Total.....	\$49,239	\$ 834	\$ 173	\$
49,900				
=====	=====	=====	=====	=====

3. PROPERTY AND EQUIPMENT

The composition of property and equipment as of December 31, 2000 and 2001 is as follows (in thousands):

	2000	2001	ESTIMATED USEFUL LIFE (YEARS)
Land	\$ 2,772	\$ 2,772	--
Buildings	5,414	9,988	40
Furniture and equipment	13,921	14,229	5-7
Leasehold improvements	5,702	5,479	3-10
Vehicles	22	22	5
Construction in progress	1,436	14	--
	29,267	32,504	
Accumulated depreciation and amortization	(9,798)	(9,404)	
	\$ 19,469	\$ 23,100	
	=====	=====	

During 2001, fully depreciated assets of approximately \$3 million were written off. In addition, \$763,000 in leasehold improvements, paid by lessors as lease incentives, were capitalized during 2001.

4. STUDENT LOANS RECEIVABLE

The loans receivable under the Strayer Education Loan Program as of December 31, 2000 and 2001 are as follows (in thousands):

	2000	2001
	-----	-----
Student loans receivable outstanding, including accrued interest.....	\$ 7,753	\$ 8,928
Allowance for loan losses..... (536)	(465)	
	-----	-----
Student loans receivable, net.....	\$ 7,288	\$ 8,392
	=====	=====

The interest rate on these student loans is generally 7.5%. The Company believes the carrying value of the student loans approximates their fair value. The loans require a minimum monthly payment based on a percentage of the outstanding monthly balance, plus interest, while the student is in attendance. Upon the student's graduation or withdrawal, the loans become due in equal monthly installments based on a fixed payment plan.

STRAYER EDUCATION, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

5. STOCK OPTION PLAN

In July 1996, the Company set aside 1,500,000 shares of common stock for grants under the Company's 1996 Stock Option Plan, which was amended at the May 2001 Annual Shareholders' Meeting to increase the shares authorized for issuance thereunder by 1,000,000 (as amended, "the Plan"). The Plan provides for the grant of options intended to qualify as incentive stock options, and also provides for the grant of non-qualifying options to directors and employees and directors of the Company. Options may be granted to eligible employees of the Company at the discretion of the Board of Directors, at option prices based on the fair market value of the shares at the date of grant. Vesting provisions are at the discretion of the Board of Directors. The maximum term of the options was 5 years before the amendment and 7 years after the amendment. Stock option activity for the years ended December 31, 1999, 2000 and 2001 are as follows:

WEIGHTED-AVERAGE	NUMBER OF SHARES	EXERCISE PRICE
-----	-----	
Balance, December 31, 1998.....	443,762	\$ 6.67
Grants.....	2,759	6.67
Exercises.....	(133,203)	6.67
Forfeitures.....	--	--
	-----	-----
Balance, December 31, 1999.....	313,318	6.67
Grants.....	--	--
Exercises.....	(88,615)	6.67
Forfeitures.....	--	--
	-----	-----
Balance, December 31, 2000.....	224,703	6.67
Grants.....	930,000	36.43
Exercises.....	(224,246)	6.67
Forfeitures.....	(457)	6.67
	-----	-----
Balance, December 31, 2001.....	930,000	\$ 36.43
	=====	=====

The number of shares exercisable as of December 31, 1999, 2000 and 2001 are as follows:

	NUMBER OF SHARES	WEIGHTED-AVERAGE EXERCISE PRICE

Exercisable, December 31, 1999	313,318	\$ 6.67
Exercisable, December 31, 2000	224,703	\$ 6.67
Exercisable, December 31, 2001	--	\$ --

During 2001, new options were granted to thirteen key executives and directors in conjunction with the recapitalization that took place in May 2001 and the retention of a new senior management team. The weighted average exercise price per share of all options as of December 31, 2001 was \$36.43. The options vest over 3 to 4 years with exercise prices ranging from \$33.69 to \$47.44. All options granted in 2001 expire in 2008 and have a weighted-average contractual life of 6.3 years as of December 31, 2001.

The Company accounts for the fair value of its stock options granted to employees and directors in accordance with Accounting Principles Board Opinion No. 25, "Accounting for Stock Issued to Employees." Accordingly, no compensation expense has been recognized for the Plan, since the exercise price of the options was equal to the fair value of the underlying common stock on the date of grant. Had compensation expense been determined based on the fair value of the options at the grant dates

STRAYER EDUCATION, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

consistent with that method of accounting under Statement of Financial Accounting Standards No. 123, "Accounting for Stock Based Compensation," the Company's net income and net income per share for the years ended December 31, 1999, 2000, and 2001 would have been decreased as indicated in the pro forma section below (in thousands):

	1999	2000	2001

As reported:			
Net income	\$ 19,326	\$ 21,709	\$
22,809			
Net income available to common			
stockholders	\$ 19,326	\$ 21,709	\$
17,799			
Net income per common share - Basic	\$ 1.25	\$ 1.42	\$
1.62			
Net income per common share - Diluted.....	\$ 1.23	\$ 1.41	\$
1.55			
 Pro forma:			
Net income	\$ 19,283	\$ 21,530	\$
21,269			
Net income available to common			
stockholders	\$ 19,283	\$ 21,530	\$
16,259			
Net income per common share - Basic	\$ 1.24	\$ 1.40	\$
1.48			
Net income per common share - Diluted.....	\$ 1.23	\$ 1.39	\$
1.44			

The fair value of each option granted in 1999 was estimated on the date of grant using the Black-Scholes option-pricing model using the following assumptions: dividend yield of 1.0%; expected volatility of 47%; risk-free interest rate of 5.25%; expected term of 2.1 years. The weighted average fair value at date of grant was \$25.55 per share. There were no new options granted in 2000. The fair value of each option granted in 2001 was estimated on the date of grant using the Black-Scholes option-pricing model using the following assumptions: dividend yield of .7%; expected volatility of 47%; risk-free interest rate of 4.75% and an expected term of 5.31 years. The weighted average fair value at the date of grant was \$16.68.

6. TERMS OF THE SERIES A MANDATORILY REDEEMABLE CONVERTIBLE PREFERRED STOCK

In May 2001, the Company underwent a \$150 million recapitalization and change of control transaction in which it issued 5,769,231 shares of its Series A Convertible Mandatorily Redeemable Preferred Stock (the "Series A Preferred Stock") of the Company to an investor group consisting of New Mountain Partners L.P. and DB Capital Investors, L.P. (collectively, the "Investors"). The Series A Preferred Stock has an effective dividend yield of 5.43% and is convertible into common stock at a price of \$26.00 per share, subject to adjustment under certain circumstances. The Company used the \$150 million, together with approximately \$36.4 million of its cash and marketable securities, to repurchase 7,175,000 shares of outstanding common stock of the Company from the Company's then CEO and majority stockholder at \$25.00 per share. The Series A Preferred Stock has the following material terms:

Authorized

A total of 8 million shares of Series A Preferred Stock, par value \$.01, have been authorized, including shares to be reserved for the payment of dividends on the outstanding shares of Series A Preferred Stock. The original issuance of Series A Preferred Stock and all quarterly preferred stock dividends thereon through December 31, 2001 are reflected in the following table:

STRAYER EDUCATION, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

SERIES A MANDATORILY REDEEMABLE CONVERTIBLE PREFERRED STOCK		
	SHARES	AMOUNT (in thousands)
Balance, December 31, 2000	-	-
Issuance of shares	5,769,231	\$150,000
Issuance costs		(3,375)
Dividends-paid in kind shares	76,445	1,988
Accretion of carrying value		(266)
Balance, December 31, 2001	5,845,676	\$148,347

Series A Preferred Stock dividends and accretion are recorded based on an effective yield of 5.43% applied to the carrying value of the Series A Preferred Stock.

Ranking

The shares of Series A Preferred Stock rank, as to dividends and rights upon liquidation, dissolution, or winding up, senior to the common Stock and on a parity with each other.

Dividends

The holders of shares of Series A Preferred Stock are entitled to receive dividends prior to any amounts being paid on the common stock when, as, and if declared by the Board of Directors out of funds legally available therefore. Dividends on the Series A Preferred Stock are payable as follows:

o From the original issuance date of the Series A Preferred Stock until May 15, 2006, dividends accrue at an annual rate of 7.0% of the sum of the liquidation amount, which is \$26.00 per share, as adjusted, plus any accumulated and unpaid dividends, with 3.5% of the original investment amount payable in cash when the dividend is declared and the rest issued in additional shares and compounding quarterly until the Series A Preferred Stock either converts, is redeemed, or a liquidation event occurs.

o Beginning on May 16, 2006, dividends accrue at an annual rate of 3.0% of the sum of the Liquidation Amount plus any accumulated and unpaid dividends, all of which are payable in cash when the dividend is declared.

In addition, when and if the Board of Directors declares regular quarterly dividends on the common stock up to \$0.065 per share, holders of Series A Preferred Stock are not entitled to participate in the common stock dividend. However, the Series A Preferred Stock will participate on an as-converted basis in any dividends on the common stock in excess of the regular quarterly dividends of \$0.065 per share.

Conversion at the Option of the Holder

The shares of Series A Preferred Stock are initially convertible, in whole or in part, at the option of the holder thereof, into shares of common stock at a conversion rate of one share of common stock for each share of Series A Preferred Stock, subject to adjustment for certain events, including stock splits, stock dividends, and dilutive issuances of capital stock.

Liquidation Rights

Upon any liquidation, dissolution, or winding up of the Company, the holders of Series A Preferred Stock are entitled to a liquidation preference, prior to any amounts being paid on the common stock, in an amount equal to the greater of (1) the sum of \$26.00 per share of Series A Preferred Stock plus

STRAYER EDUCATION, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

compounded, accumulated but unpaid dividends (in each case, as adjusted for stock dividends, stock combinations, or similar events) and (2) the product of

(a) the price of the common stock calculated as the average of the daily closing prices for 5 consecutive trading days selected by the Board of Directors out of the 20 trading days preceding the date of the liquidation, dissolution, or winding up and (b) the number of shares of common stock to which the holders of Series A Preferred Stock would have been entitled if they had converted their shares.

Change of Control

Upon any change of control of the Company, the holders of Series A Preferred Stock are entitled in each holder's sole discretion to elect to receive the liquidation amount per share plus accumulated and unpaid dividends. If no election is made, the holders retain their Series A Preferred Stock.

Voting Rights

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

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

Redemption at the Company's Option

The Series A Preferred Stock may not be redeemed at the option of the Company prior to May 15, 2004. From and after the third year until the fifth year that the Series A Preferred Stock is outstanding, so long as the common stock is listed on the New York Stock Exchange or the NASDAQ National Market, the Company may redeem it, in whole or in part, within 45 days of any period in which the closing price of the common stock for at least 20 consecutive trading days equals or exceeds 200% of the conversion price, which is initially \$26.00 per share; provided that the 20 day period may not begin before May 15, 2004. After May 15, 2006, the Company may redeem the Series A Preferred Stock in whole or in part at its discretion. In either case, the redemption price of each share of Series A Preferred Stock is equal to the liquidation amount, plus accumulated and unpaid dividends. The decision of whether to redeem is to be made in the discretion of the directors not elected by the Investors.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Redemption at the Option of the Holder

The holders of the Series A Preferred Stock may request that it be redeemed only:

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

Upon the occurrence of any of these events, a holder of Series A Preferred Stock may require the Company to redeem all or a part of that holder's shares of Series A Preferred Stock, at a purchase price equal to the liquidation amount, as adjusted, plus accumulated and unpaid dividends.

Registration Rights

Demand Registration

The Company has agreed that if it is not eligible to use the short-form registration statement, Form S-3, it will register the resale of the securities held by the Investors upon their request, as follows:

- o The Company will not register the resale of securities more than two times;
- o The Company will not register the resale of securities more than once during any six month period; and
- o The aggregate offering price of the resale of securities must be at least \$10 million.

However, if the Company is eligible to use the short-form registration statement, Form S-3, the Investors shall also have the right to request registration on that form two times during any one year for a "shelf" registration permitted by Rule 415 under the Securities Act. A majority of the holders of the securities originally issued to the Investors is required to request the "shelf" registration.

If the Company's Board of Directors determines that a requested registration statement would result in a disclosure of information that would materially and adversely affect any proposed or pending material transaction, the Company may delay the registration. No postponement may exceed 90 days and all postponements shall not exceed 120 days in the aggregate in any 12-month period.

The Company may register securities for its own account or for the account of other stockholders in a registration requested by the Investors, so long as the inclusion of additional securities does not reduce the amount of securities that may be sold by the Investors.

Securities registrable under the Registration Rights Agreement include the Series A Preferred Stock, the common stock and other securities, if any, issuable on conversion of the Series A Preferred Stock, the common stock, if any, purchased by the Investors in accordance with the options granted them by our former CEO and majority stockholder, and any securities issued to the Investors in accordance with their preemptive rights.

Piggy-back Registration

Piggy-back registration means the rights of the holders of the registration rights to include their shares in a registration filed by the Company for its own account or in a registration the Company has filed upon the request of other stockholders. The Company has granted the Investors unlimited piggy-back registration rights.

STRAYER EDUCATION, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Expenses

The Company will bear all the expenses of the registration, other than any fees and disbursements of the underwriters that are customarily borne by selling Stockholders and all underwriting discounts, commissions, and transfer taxes relating to the securities sold by the Investors.

Indemnification

The Company has agreed to indemnify the Investors against any losses, including fees and expenses, which may arise out of an untrue statement or an omission of a material fact in any registration statement, other than untrue statements that were provided in writing by the Investors or omissions of material facts from statements provided in writing by the Investors for inclusion in the registration statement. Each Investor, severally and not jointly, has agreed to indemnify the Company and any underwriters participating in the registration statement against any losses that may arise out of any untrue statement that was provided in writing by that Investor or omissions of material facts from statements provided in writing by that Investor for inclusion in the registration statement. The amounts owed by the Investors under this indemnification obligation shall not exceed the proceeds the Investors received from the sale of securities under the registration statement.

Transferability of Registration Rights

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

OTHER TERMS OF SERIES A PREFERRED STOCK

Corporate Governance

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

% OF SERIES A PREFERRED STOCK ORIGINALLY ISSUED STILL OUTSTANDING	% OR NUMBER OF DIRECTORS
90% and Above	50%
50% to 89.9%	40%
25% to 49.9%	25%
10% to 24.9%	At Least 1
member	
0% to 9.9%	none

In addition, in the event that the Company fails to pay the redemption price for the Series A Preferred Stock in connection with a proper redemption request in an amount at least equal to \$30 million, the holders of the Series A Preferred Stock will be able to elect a majority of the Company's Board of Directors until the redemption price is paid.

Any significant changes in the Company's ownership and control could require U.S. Department of Education or other regulatory agency approval.

STRAYER EDUCATION, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

In addition to any other Board of Directors or stockholder action that may be required, the approval of a majority of the directors elected by the holders of the Series A Preferred Stock will be required in order for the Company to take certain actions, including:

- o Any authorization or issuance, reclassification, repurchase, redemption, or other acquisition of any of our equity securities or any other securities exercisable for or convertible into any equity securities;
- o Any issuance or incurrence of indebtedness that would result in the Company having in excess of an aggregate of \$25 million of indebtedness outstanding;
- o Any liquidation, dissolution, winding up, or reorganization of the Company;

- o Any transaction or series of related transactions involving a change of control or the sale of all or substantially all of the Company's equity or assets, or any acquisition, disposition, or other business combination involving consideration in excess of \$20 million;
- o Any amendment to the Company's charter or bylaws; and
- o The removal or replacement of, or the establishment of the level or form of compensation payable to, the Company's chief executive officer, chief operating officer or chief financial officer.

Preemptive Rights

The holders of the Series A Preferred Stock have the right to purchase their pro rata portion of new equity securities the Company issues, other than certain exempt issuances.

7. LONG-TERM LIABILITY

In conjunction with the opening of new campuses in Chesapeake, VA and Newport News, VA during 2001, the Company was reimbursed by the lessors for improvements made to the leased properties in the amount of \$763,000. In accordance with Financial Accounting Standards Board Technical Bulletin No. 88-1, these reimbursements were capitalized as leasehold improvements and a long-term liability established. The leasehold improvements and the long-term liability will be amortized on a straight-line basis over the corresponding lease terms, which range from 5 to 10 years.

8. OTHER EMPLOYEE BENEFIT PLANS

The Company has a 401(k) profit sharing trust covering all eligible employees of the Company. Participants may defer a percentage of their salaries or make contributions up to 10% of their base compensation. Employee contributions are voluntary. Discretionary contributions were made by the Company in the fourth quarter of each year, and were \$186,000, \$195,000 and \$205,000 for the years ended December 31, 1999, 2000 and 2001, respectively.

In May 1998, the Company adopted the Strayer Education, Inc. Employee Stock Purchase Plan (ESPP). Under the ESPP, eligible employees may purchase shares of the Company's common stock, subject to certain limitations, at 90 percent of its market value at the date of purchase. Purchases are limited to 10 percent of an employee's eligible compensation. The aggregate number of shares of common stock that may be made available for purchase by participating employees under the ESPP is 2,500,000 shares. During 1999, 2000 and 2001, 11,962, 10,297 and 6,540 shares, respectively, were purchased in the open market for employees, at average prices of \$26.13, \$23.93 and \$42.44 per share, respectively.

9. COMMITMENTS AND CONTINGENCIES

The University participates in various federal student financial assistance programs which are subject to audit. Management believes that the potential effects of audit adjustments, if any, for the periods currently under audit will not have a material adverse effect on the Company's financial position, results of operations or cash flows.

STRAYER EDUCATION, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

As of December 31, 2001 the Company had long-term operating leases for fourteen of its campuses and other administrative locations. Rent expense was \$4,227,000, \$4,770,000 and \$5,533,000 for the years ended December 31, 1999, 2000 and 2001, respectively. Prior to the purchase of three of these campuses in February 2002, the Washington D.C. campus and three of the Virginia campuses were leased from entities affiliated with the Company's former CEO and majority stockholder. Rent paid to these entities was \$2,040,000, \$1,836,600 and \$1,946,000 for the years ended December 31, 1999, 2000 and 2001, respectively. During 1999, the Company acquired its Takoma Park Campus for \$1,024,000 and in February 2002, the Company acquired the Washington D.C., Manassas, VA and Woodbridge, VA campuses for an aggregate of \$12,000,000 from entities affiliated with the Company's former CEO and majority stockholder. Accordingly, only one lease remains outstanding with affiliates of the Company's former CEO and majority stockholder. This lease involved total payments of \$320,000 in 2001 and expires in 2006.

The rents on the Company's leases are subject to annual increases based on a stipulated price index. The minimum rental commitments for the Company as of December 31, 2001, excluding commitments related to the three campuses purchased from the Company's former CEO and majority stockholder in February 2002, are as follows (in thousands):

	TOTAL	TOTAL AMOUNT PAYABLE TO RELATED PARTIES

2002.....	\$ 4,780	\$338
2003.....	4,339	348
2004.....	3,324	358
2005.....	3,000	369
2006.....	2,241	156
Thereafter	9,849	--
	-----	-----
	\$ 27,533	\$1,569
	=====	=====

In addition, the Company has a credit facility from a bank in the amount of \$10.0 million. Interest on any borrowings under the facility will accrue at an annual rate not to exceed 0.75% above the London Interbank Offered Rate. The Company does not pay a fee for this facility. There have been no borrowings by the Company under the credit facility.

On October 2, 1998, the Board of Directors authorized the Company to repurchase up to five percent of its outstanding common stock at market prices, not to exceed a total cost of \$24 million. The timing of stock purchases are made at the discretion of management. The Company repurchased 630,429 shares and 62,700 shares during the years ended December 31, 1999 and 2000, respectively. During the year 2000, the Board authorized an additional stock repurchase program in an amount of up to \$40,000,000. The Company suspended the repurchase plan from February to September of the year 2000 and again in December of 2000. No shares were repurchased during 2001. No share repurchase plan is currently authorized by the Board of Directors.

STRAYER EDUCATION, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

10. INCOME TAXES

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

	1999	2000	2001
	-----	-----	-----
Current:			
Federal	\$ 10,453	\$ 11,637	\$
12,123			
State..	2,295	2,484	
2,222			

	12,748	14,121	
14,345			

Deferred:			
Federal	(203)	(132)	
129			
State..	(45)	(15)	
15			

	(248)	(147)	
144			

	\$ 12,500	\$ 13,974	\$
14,489			
=====			

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

	2000	2001
	-----	-----

Tuition receivable and student loans...	\$ 372	\$
387		
Property and equipment.....	283	
140		
Accrued vacation payable.....	50	
34		
Unrealized gains on marketable		
securities.....	(258)	
--		

Net deferred tax asset.....	\$ 447	\$
561		
=====		

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

	1999	2000	2001
-----	-----	-----	
Statutory federal rate.....	35%	35%	35%
State income taxes, net of federal benefits.....	5%	5%	4%
Effect of prior year accruals.....	(1%)	(1%)	0%
-----	-----	-----	
Effective tax rate.....	39%	39%	39%
=====	=====	=====	
=====			

Cash payments for income taxes were \$12,674,000 in 1999, \$13,628,000 in 2000 and \$11,649,000 in 2001.

STRAYER EDUCATION, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

11. SUMMARIZED QUARTERLY FINANCIAL DATA (UNAUDITED)

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

2000	QUARTER			
	FIRST	SECOND	THIRD	FOURTH
Total revenues	\$21,128	\$20,325	\$14,691	\$22,070
Income from operations	10,423	8,432	2,192	9,880
Net income	6,810	5,878	2,126	6,895
Net income per share:				
Basic	\$ 0.45	\$ 0.38	\$ 0.14	\$ 0.45
Diluted	\$ 0.44	\$ 0.38	\$ 0.14	\$ 0.45

2001	QUARTER			
	FIRST	SECOND	THIRD	FOURTH
Total revenues	\$23,644	\$23,826	\$18,222	\$27,184
Income from operations	11,459	9,262	2,744	10,042
Net income	8,137	6,248	2,008	6,416
Net income available to common stockholders	8,137	5,293	11	4,358
Net income per share:				
Basic	\$ 0.53	\$ 0.45	\$ 0.00	\$ 0.52
Diluted	\$ 0.53	\$ 0.42	\$ 0.14	\$ 0.45

STRAYER EDUCATION, INC.
SCHEDULE II -- VALUATION AND QUALIFYING ACCOUNTS
(IN THOUSANDS)

DESCRIPTION -----	BALANCE BEGINNING OF PERIOD -----	ADDITIONS CHARGED TO EXPENSE -----	DEDUCTIONS -----	BALANCE END OF PERIOD -----	BAD DEBT EXPENSE AS A % OF REVENUE -----
Deduction from asset account:					
Allowance for doubtful accounts:					
Year ended December 31, 2001	\$ 489	\$ 1,578	\$(1,610)	\$ 457	1.7%
Year ended December 31, 2000	605	2,147	(2,263)	489	2.7%
Year ended December 31, 1999	295	1,695	(1,385)	605	2.4%
Allowance for loan losses:					
Year ended December 31, 2001	465	196	(125)	536	
Year ended December 31, 2000	411	172	(118)	465	
Year ended December 31, 1999	353	216	(158)	411	

ITEM 9. CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE.

None.

PART III

ITEM 10. DIRECTORS AND EXECUTIVE OFFICERS OF THE REGISTRANT.

DIRECTORS AND EXECUTIVE OFFICERS

The following table sets forth certain information regarding the executive officers and directors of the Company:

NAME	AGE	POSITION
----	---	-----
DIRECTORS		
Steven B. Klinsky.....	45	Chairman of the Board
Robert S. Silberman.....	44	Chief Executive Officer, President, Director
Charles Ayres.....	42	Director
Dr. Charlotte F. Beason.....	54	Director
William E. Brock.....	71	Director
David A. Coulter.....	54	Director
Gary Gensler.....	44	Director
Robert R. Grusky.....	44	Director
Todd A. Milano.....	49	Director
G. Thomas Waite, III.....	50	Director
J. David Wargo.....	48	Director
EXECUTIVE OFFICERS		
Scott W. Steffey.....	40	Executive Vice President and Chief Operating Officer
Mark C. Brown.....	43	Senior Vice President and Chief Financial Officer
Steven A. McArthur.....	44	Senior Vice President and General Counsel
Kevin P. O'Reagan.....	42	Vice President and Chief Technology Officer
Lysa Hlavinka.....	35	Vice President, Marketing
Robert E. Farmer.....	63	Vice President, Human Resources, Administration and Training
Dina B. West.....	35	Controller

DIRECTORS

The biographical information regarding the Company's Directors required by this Item is hereby incorporated by reference from the information to be continued under the captions "Nominees for Common Stock Directors" and "Information Concerning Preferred Stock Directors" contained in the Company's Proxy Statement which will be filed no later than 120 days following December 31, 2001.

EXECUTIVE OFFICERS

Robert S. Silberman, 44, has been President and Chief Executive Officer of Strayer Education, Inc. since March 2001. Mr. Silberman was Executive in Residence at New Mountain Capital, LLC from August 2000 to March 2001. From 1995 to 2000, Mr. Silberman served as President and Chief Operating Officer (and in certain other capacities) of CalEnergy Company, Inc. From 1993 to 1995, Mr. Silberman was Assistant to the Chairman and Chief Executive Officer of International Paper Company. From 1989 to 1993, Mr. Silberman served in several senior positions in the U.S. Department of Defense, including as Assistant Secretary of the Army. Mr. Silberman has been a Director of the Company since March 2001 and is a Member of the Board's Executive Committee.

Scott W. Steffey, 40, joined the Company in March 2001 after serving as an Executive in Residence at New Mountain Capital, LLC from March 2000 to March 2001. Prior to that, Mr. Steffey served for four years as Vice Chancellor of the State University of New York, the largest public post-secondary higher education system in the world. He is also the founder of the Charter Schools Institute, an organization that establishes competitive K-12 schools in New York state dedicated to providing improved educational opportunities for economically disadvantaged students. Previously, Mr. Steffey held senior management positions at NYNEX Corporation and American Express Company.

Mark C. Brown, 43, joined the Company in August 2001 as its Senior Vice President and Chief Financial Officer. He was most recently the Chief Financial Officer of The Kantar Group, the information and consultancy division of WPP Group, the multi-national communications services company. Prior to that, for nearly 12 years, Mr. Brown held a variety of management positions at PepsiCo Inc. including Director of Corporate Planning for Pepsi Bottling Group and Business Unit Chief Financial Officer for Pepsi-Cola International. Mr. Brown is a CPA who started his career with PricewaterhouseCoopers.

Steven A. McArthur, 44, joined Strayer in May 2001 as its Senior Vice President and General Counsel. Mr. McArthur is responsible for oversight of all legal matters for the Company and coordinating with other responsible officers on various regulatory, administrative, employee benefit, real estate, leasing and insurance matters. Mr. McArthur previously served as Senior Vice President and General Counsel to MidAmerican Energy Holdings Company, a Fortune 500 diversified holding company and a number of its public company subsidiaries. Mr. McArthur has over 17 years of experience advising various public companies in the areas of regulatory compliance, mergers and acquisitions, financings and related legal matters.

Kevin P. O'Reagan, 42, has been active in the technology field for the past 18 years, and joined the Company in May 2001. He started his career with Andersen Consulting and later joined Prudential Mortgage as the Director of Technology. He most recently was the Chief Technology Officer of the RIA Group of the Thompson Corporation. Mr. O'Reagan has also developed and taught courses at the post-graduate level as an adjunct faculty member at The Johns Hopkins University in its Information Technology Program.

Lysa Hlavinka, 35, has been working in the for-profit education field for the past 11 years, and joined the Company in May 2001. She started her career as an account executive at an advertising agency and joined the University of Phoenix in 1990. As that company grew, Ms. Hlavinka held positions as Marketing Manager, Director of Administrative Services, and, most recently, National Director of Advertising. While at the University of Phoenix, she taught marketing and public relations courses as an adjunct faculty member.

Robert E. Farmer, 63, is Vice President of Human Resources, Administration and Training of the University, a position to which he was appointed in 2001. Previously, Mr. Farmer was the Director of Operations (in 2000) and previously Director of Human Resources, a position he held since 1995. Mr. Farmer was the Campus Coordinator of the Arlington campus from 1992 until 1995, and was the Director of Admissions at that campus from 1990 to 1992. Mr. Farmer is a certified Professional in Human Resources (PHR).

Dina B. West, 35, joined the Company in January 2002 as the Company's Controller. Ms. West is responsible for the daily operations of the Company's accounting department under the supervision of Mark Brown, Chief Financial Officer. Ms. West previously served as Senior Manager for internal reporting within Nextel International, Inc. and as Assistant Controller for Manugistics, Inc. Ms. West is a CPA and MBA who began her career with Ernst & Young.

Directors of the Company are elected at the annual meeting of stockholders and serve until their successors are duly elected and qualified or until their earlier resignation or removal. Executive officers serve at the discretion of the Board of Directors.

CERTAIN SIGNIFICANT EMPLOYEES OF THE UNIVERSITY

The following information is supplied with respect to certain other significant employees of the University:

NAME	AGE	POSITION
Dr. Donald R. Stoddard.....	65	University President
Dr. J. Chris Toe.....	47	University Provost and Academic Dean
James F. McCoy.....	42	Regional Director - Southern Virginia and North Carolina
Michael O. Williams.....	48	Regional Director - Northern Virginia and Washington, D.C.
Betty G. Shuford.....	60	Regional Director - Maryland
Robert L. Gustavus.....	59	Director, Strayer ONLINE
Marjorie Arrington	40	Director of Financial Aid and Compliance
David A. Moulton	49	Director of Libraries
Randi S. Reich	28	Director of Corporate and Institutional Alliances
Cyndi L. Wastler	36	Director of Academic Records

Dr. Donald R. Stoddard, Ph.D., 65, is the President of Strayer University. He was a director of the Company from July 1996 to July 1997. Dr. Stoddard has been a member of the Board of Trustees of the University since 1995. Dr. Stoddard was a Professor, Department of English, Anne Arundel Community College from 1990 to 1997. From 1979 to 1990, Dr. Stoddard was the Coordinator, Collegiate Institutional Approval, of the Maryland Higher Education Commission.

Dr. J. Chris Toe, 47, is the University's Provost and Academic Dean. Dr. Toe has spent 25 years in government, international business, and higher education. Eight of his 14 years in higher education have been at Strayer, which he joined in 1993. He began his career as an economist in the West African republic of Liberia and served on the economics faculty at Texas Tech University in Lubbock, Texas for many years. Prior to becoming Provost, Dr. Toe managed enrollment and student services, and graduate programs at the University. He has been a Professor and Campus Dean, and he still teaches a graduate research class.

James F. McCoy, 42, is the University's Regional Director-Southern Virginia and North Carolina with oversight responsibilities for all administrative functions of that Region's campuses, including student enrollment, retention, collection of revenue and budget. Mr. McCoy has been active in proprietary education for the past 19 years, and joined Strayer in 1994. He has worked with several school systems including Phillips and Branell in management capacities at both the campus and corporate levels. Mr. McCoy has extensive experience in new campus start-ups., P&L management, and accreditation and compliance regulations. In addition, he has management experience in both the administrative and academic operations of a campus.

Michael O. Williams, 48, is the University's Regional Director-Northern Virginia and Washington D.C. with oversight responsibilities for all administrative functions of that Region's campuses, including student enrollment, retention, collection of revenue and budget. Mr. Williams has been employed at the University since 1992. Mr. Williams, an alumnus of the graduate program at Strayer University, was a former Campus Coordinator of the Washington Campus, 1995-2000, and previously an admissions representative.

Betty G. Shuford, 60, is the University's Regional Director-Maryland, with oversight responsibilities for all administrative functions of that Region's campuses, including student enrollment, retention, collection of revenue and budget. Ms. Shuford has been with Strayer University for nineteen years. She previously served in a number of positions, including Administrative Dean and Campus Manager at four different campuses.

Robert Gustavus, 59, is the University's Director of Strayer ONLINE. Mr. Gustavus has spent over thirty-five years in government, the commercial sector, and higher education. He has extensive teaching

and administrative experience in higher education. Mr. Gustavus was an adjunct faculty member for a local community college and the University of Virginia prior to joining Strayer University as a full-time faculty member in 1995. Prior to becoming the Director of ONLINE, he was a Campus Dean and Academic Dean responsible for seven campuses. He has taught classes online for over two years and is completing his doctoral degree with an emphasis in Instructional Technology.

Marjorie Arrington, 40, is the University's Director of Financial Aid and Title IV Compliance. Ms. Arrington is responsible for administering the University's Title IV programs and insuring that all University practices in this area comply with the applicable administrative and regulatory standards required by the HEA. Ms. Arrington has been actively involved with the state, regional and national associations of student financial aid administrators and the U.S. Department of Education. Ms. Arrington has over 17 years of experience in the administration of Title IV funds.

David A. Moulton, 49, is the University's Director of Libraries. Mr. Moulton is responsible for library services and collections at all campus locations and for supporting online library services for remote users. Mr. Moulton oversees the operations of the Wilkes Library at the main campus in Washington, D.C. and works with the Learning Resource Center officers at each campus. Mr. Moulton has been employed by Strayer University for 26 years serving as Evening Librarian and Assistant Librarian before assuming his present duties in 1989. Mr. Moulton has held membership in the American Library Association for over 25 years and has been a member of the Virginia Library Association for 15 years.

Randi S. Reich, 28, is the University's Director of Corporate and Institutional Alliances. Ms. Reich is responsible for outreach to corporations, government, military and organizations. In her role, she develops sponsorship arrangements between Strayer and these organizations that allows them to provide e-learning, corporate education and training offerings to their employees in the developing Corporate University market place. Prior to joining Strayer, Ms. Reich co-founded and managed business and strategic development for Mascot Network, an application service provider serving the higher education market with an "enterprise portal". Ms. Reich also served several years in city government with the City of New York as the Assistant Director in the Mayor's Office of Transportation and also worked at Boston Consulting Group.

Cyndi L. Wastler, 36, is the University's Director of Academic Records. Mrs. Wastler is responsible for the oversight of the University's Transcript Evaluation Center, the Records Office, Veterans Services, and the warehouse. In addition, she also works with other University administrators on regulatory and compliance matters that affect the University. Mrs. Wastler has been with the University for eleven years working within in the Academic Records Office. Previously, Mrs. Wastler was in retail sales management.

COMPENSATION OF THE BOARD OF DIRECTORS

The information required by this Item relating to Compensation and Committees of the Board of Directors is hereby incorporated by reference from the information contained under those respective captions in the Company's Proxy Statement which will be filed no later than 120 days following December 31, 2001.

ITEM 11. EXECUTIVE COMPENSATION.

The information required by this item is hereby incorporated by reference from the information to be contained under the caption "Compensation" in the Company's 2001 Proxy Statement which will be filed no later than 120 days following December 31, 2001.

ITEM 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT AND RELATED STOCKHOLDER MATTERS.

The information required by this Item relating to Section 16(a) Beneficial Ownership Reporting Compliance and Security Ownership of Certain Beneficial Owners and Management is hereby incorporated by reference from the information contained under the caption "Beneficial Ownership of Common Stock" in the Company's Proxy Statement which will be filed no later than 120 days following December 31, 2001.

ITEM 13. CERTAIN RELATIONSHIPS AND RELATED PARTY TRANSACTIONS.

The information required by this Item relating to Certain Relationships and Related Party Transactions is hereby incorporated by reference from the information contained under the caption "Certain Transactions with Former Management" in the Company's Proxy Statement which will be filed no later than 120 days following December 31, 2001.

PART IV

ITEM 14. EXHIBITS, FINANCIAL STATEMENT SCHEDULES, AND REPORTS ON FORM 8-K.

(a)(1) Financial Statements

All required financial statements of the registrant are set forth under Item 8 of this report on Form 10-K.

(a)(2) Financial Statement Schedules

All required financial statement schedules of the registrant are set forth under Item 8 of this report on Form 10-K.

(a)(3) Exhibits

EXHIBIT NUMBER	DESCRIPTION
3.01+ --	Amended Articles of Incorporation and Articles Supplementary of the Company.
3.02* --	Amended and Restated Bylaws of the Company.
4.01* --	Specimen Stock Certificate.
4.02+ --	Registration Rights Agreement, dated as of May 15, 2001,
	by and among New Mountain Partners, L.P. and DB Capital Investors, L.P. and Strayer Education, Inc.
10.01** --	Preferred Stock Purchase Agreement, dated as of November 28, 2000, by and among Strayer Education, Inc., New Mountain Partners, L.P. and DB Capital Investors, L.P.
10.02** --	Support and Option Agreement, dated as of November 28, 2000, by and among Strayer Education, Inc., Ron K. Bailey, Beverly W. Bailey, and New Mountain Partners, L.P. and DB Capital Investors, L.P.
10.03+ --	Employment Agreement, dated as of April 6, 2001, between Strayer Education, Inc. and Robert S. Silberman.
10.04+ --	Real Estate Purchase Agreement, dated as of January 31, 2002, by and among KKB, L.L.C., and Central Investments, Inc., and Strayer University, Inc.
10.05 *** --	1996 Amended Stock Option Plan.
21.01+ --	Subsidiaries of Registrant.
23.01 --	Consent of PricewaterhouseCoopers LLP.
24.01 --	Power of Attorney (contained in signature page).

* Filed as an exhibit to the Registrant's Registration Statement on Form S-1 (No. 833-3967).

** Filed as an exhibit to the Registrant's Proxy Statement for the Special Meeting of Stockholders filed with the Securities and Exchange Commission on February 14, 2001.

*** Filed as an exhibit to the Registrant's Proxy Statement for the 2001 Annual Meeting filed with the Securities and Exchange Commission on April 27, 2001.

+ Filed herewith.

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the Company has duly caused this Report to be signed on its behalf by the undersigned, thereunto duly authorized.

STRAYER EDUCATION, INC.

By: /s/ Robert S. Silberman

ROBERT S. SILBERMAN
PRESIDENT AND CHIEF EXECUTIVE
OFFICER

Date: March 27, 2002

POWER OF ATTORNEY

KNOW ALL MEN BY THESE PRESENTS, that each person whose signature appears below constitutes and appoints Robert S. Silberman and Steven A. McArthur and Mark C. Brown, and each of them individually, as his true and lawful attorneys-in-fact and agents, with full power of substitution and resubstitution, for him and his name, place and stead in any and all capacities, to sign the report and any and all amendments to this report, and to file the same, with all exhibits thereto, and other documents in connection therewith, with the Securities and Exchange Commission, granting unto said attorneys-in-fact and agents, full power and authority to perform each and every act and thing requisite and necessary to be done in and about the premises, as fully to all intents and purposes as he might or could do in person, hereby ratifying and confirming all that said attorneys-in-fact and agents, or their substitutes, may lawfully do or cause to be done by virtue thereof.

Pursuant to the requirement of the Securities Exchange Act of 1934, this Report has been signed by the following persons in the capacities and on the date indicated.

<i>SIGNATURES</i> -----	<i>TITLE</i> -----	<i>DATE</i> -----
<i>/s/ ROBERT S. SILBERMAN</i> 2002 ----- <i>(ROBERT S. SILBERMAN)</i>	<i>Chief Executive Officer</i> <i>and Director (Principal</i> <i>Executive Officer)</i>	<i>March 27,</i>
<i>/s/ MARK C. BROWN</i> 2002 ----- <i>(MARK C. BROWN)</i>	<i>Chief Financial Officer</i> <i>(Principal Financial and</i> <i>Accounting Officer)</i>	<i>March 27,</i>
<i>/s/ CHARLES AYRES</i> 2002 ----- <i>(CHARLES AYRES)</i>	<i>Director</i>	<i>March 27,</i>
<i>/s/ CHARLOTTE BEASON</i> 2002 ----- <i>(CHARLOTTE BEASON)</i>	<i>Director</i>	<i>March 27,</i>

Director
(DAVID B. COULTER)

/s/ WILLIAM E. BROCK 2002	Director	March 27,

(WILLIAM E. BROCK)		
/s/ GARY GENSLER 2002	Director	March 27,

(GARY GENSLER)		
/s/ ROBERT R. GRUSKY 2002	Director	March 27,

(ROBERT R. GRUSKY)		
/s/ STEVEN B. KLINSKY 2002	Director	March 27,

(STEVEN B. KLINSKY)		
/s/ TODD A. MILANO 2002	Director	March 27,

(TODD A. MILANO)		
/s/ G. THOMAS WAITE, III 2002	Director	March 27,

(G. THOMAS WAITE, III)		
/s/ J. DAVID WARGO 2002	Director	March 27,

(J. DAVID WARGO)		

EXHIBIT 3.01

AMENDED ARTICLES OF INCORPORATION

OF

STRAYER EDUCATION, INC.

FIRST: I, Walter G. Lohr, Jr., whose address is c/o Hogan & Hartson L.L.P., 111 South Calvert Street, Suite 1600, Baltimore, Maryland 21202, being at least 18 years of age, am hereby serving as the incorporator of and forming a corporation under and by virtue of the general laws of the State of Maryland.

SECOND: The name of the corporation is STRAYER EDUCATION, INC. (hereinafter referred to as the "CORPORATION").

THIRD: The purposes for which the Corporation is formed are:

- (a) To acquire all of the outstanding capital stock of Strayer College, Inc. and Education Loan Processing, Inc. Upon completion of the transactions, Strayer College, Inc. and Education Loan Processing, Inc. will each be direct subsidiaries of the Corporation.
- (b) To engage in and carry on any other business which may conveniently be conducted in conjunction with any business of the Corporation, or otherwise, or that may benefit the interests of the Corporation.
- (c) To have and exercise all powers necessary or convenient to effectuate any or all of the purposes for which the Corporation is formed.
- (d) In general, to engage in any lawful act or activity for which corporations may be organized under the general laws of the State of Maryland.

The foregoing purposes shall, except when otherwise expressed, be in no way limited or restricted by reference to or inference from the terms of any other clause of this or any other article of these Articles of Incorporation or of any amendment thereto, and shall each be regarded as independent, and construed as powers as well as purposes.

The Corporation shall be authorized to exercise and enjoy all of the powers, rights, and privileges granted to, or conferred upon, corporations by the general laws of the State of Maryland now or hereafter in force, and the enumeration of the foregoing powers and purposes shall not be deemed to exclude any powers, rights, or privileges so granted or conferred.

FOURTH: The address of the principal office of the Corporation in the State of Maryland is 32 South Street, Baltimore, Maryland 21202, c/o the Corporation Trust Incorporated. The name of the resident agent of the Corporation in the State of Maryland is the Corporation Trust Incorporated, a Maryland corporation, and the post office address of the agent is 32 South Street, Baltimore, Maryland 21202.

FIFTH: (a) Subject to paragraph (b) hereof, the Corporation has authority to issue 28,000,000 shares of stock, consisting of 20,000,000 shares of Common Stock, \$0.01 par value per share ("Common Stock"), and 8,000,000 shares of Preferred Stock, \$0.01 par value per share ("Preferred Stock"). The aggregate par value of all authorized shares of stock having par value, is \$280,000. If shares of one class of stock are classified or reclassified into shares of another class of stock pursuant to Article SEVENTH of the charter, the number of authorized shares of the former class shall be automatically decreased and the number of shares of the latter class shall be automatically increased, in each case by the number of shares so classified or reclassified, so that the aggregate number of shares of stock of all classes that the Corporation has authority to issue shall not be more than the total number of shares of stock set forth in the first sentence of this paragraph.

(b) Of the 20,000,000 shares of Common Stock that the Corporation has authority to issue, 8,000,000 shares shall not be classified or reclassified into shares of stock of any other class or series of the Corporation and shall be issued only upon conversion of shares of Preferred Stock to be classified and designated as Series A Convertible Preferred Stock (the "Series A Preferred Stock"). In the event that the Corporation does not have a sufficient number of authorized shares of Common Stock available for issuance upon conversion of Series A Preferred Stock, the Board of Directors, with the approval of a majority of the entire Board of Directors, and without any action by the stockholders of the Corporation, may amend the charter of the Corporation to increase the number of shares of Common Stock that the Corporation has authority to issue upon conversion of the Series A Preferred Stock.

SIXTH: The number of directors of the Corporation shall initially be One (1), which number may be changed from time to time pursuant to the By-laws of the Corporation; provided, however, that so long as the Corporation has less than three stockholders, the number of directors may be less than three but, in that case, shall not be less than the number of stockholders. The name of the person who will serve as a director of the Corporation until the first annual meeting of stockholders and until his successors are elected and qualify is Ron K. Bailey.

SEVENTH: The following provisions are hereby adopted for the purpose of defining, limiting and regulating the powers of the Corporation and its directors and stockholders:

(a) The Board of Directors of the Corporation is hereby empowered to authorize the issuance from time to time of shares of its stock of any class, whether now or hereafter authorized, or securities convertible into shares of its stock of any class, whether now or hereafter authorized, without the approval of the stockholders of the Corporation, for consideration as is determined by the Board of Directors in accordance with applicable law.

(b) No stockholder of the Corporation shall have preemptive rights to purchase, subscribe for, or otherwise acquire any stock or other securities of the Corporation, and any and all preemptive rights are hereby denied, except that the Purchasers (as defined herein) shall have the preemptive rights granted under Section 9.3 of the Preferred Stock Purchase Agreement, dated November 28, 2000, by and among the Corporation and the purchasers of the Series A Preferred Stock named therein (the "Purchasers"), as amended from time to time.

(c) The Corporation reserves the right from time to time to make any amendment of its charter, now or hereafter authorized by law, including any amendment which alters the contract rights, as expressly set forth in the charter, of any outstanding stock.

(d) The Board of Directors of the Corporation may classify or reclassify any unissued shares of stock of the Corporation by setting or changing in any one or more respects, from time to time before issuance of the shares, the preferences, conversion or other rights, voting powers, restrictions, limitations as to dividends, qualifications, or terms or conditions of redemption of the shares.

(e) With respect to any corporate action to be taken by the Corporation which, under the general laws of the State of Maryland, would (in the absence of this subparagraph (e) of this Article SEVENTH) require the authorization or approval of a greater proportion than a majority of all votes entitled to be cast for the action to be effective and valid, the corporate action shall be effective and valid if authorized or approved by at least a majority of all the votes entitled to be cast thereon, after due authorization and/or approval and/or advice of the action by the Board of Directors as required by law.

EIGHTH: To the fullest extent permitted by the laws of the State of Maryland, the liability of any director or officer of the Corporation to the Corporation or its stockholders for money damages shall be limited to the sum of ten dollars (\$10.00), provided that nothing contained in this Article Eighth shall limit the liability of a director or officer (i) to the extent that it is proved that the person actually received an improper benefit or profit in money, property or services, for the amount of the benefit or profit in money, property or services actually received, or (ii) to the extent that a judgment or other final adjudication adverse to the person is entered in a proceeding based on a finding in the proceeding that the person's action, or failure to act, was the result of active and deliberate dishonesty and was material to the cause of action adjudicated in the proceeding. This Article Eighth shall not be construed to affect the liability of a person in any capacity other than the person's capacity as a director or officer.

NINTH: The Corporation expressly elects not to be governed by the provisions of Section 3-602 of the Corporations and Associations Article of the Annotated Code of Maryland pursuant to Section 3-603(e)(1)(iii) of the Corporations and Associations Article of the Annotated Code of Maryland.

TENTH: The Corporation expressly elects not to be governed by the provisions of Section 3-701 through Section 3-709, inclusive, of the Corporations and Associations Article of the Annotated Code of Maryland pursuant to Section 3-702(b) of the Corporations and Associations Article of the Annotated Code of Maryland.

ELEVENTH: The duration of the Corporation shall be perpetual.

TWELFTH: For so long as holders of shares of Series A Preferred Stock have rights to elect Redemption Default Directors (as defined in the terms of the Series A Preferred Stock) pursuant to the terms of the Series A Preferred Stock, notwithstanding any requirement for the approval of any action by the vote of more than a majority of the entire Board of

Directors of the Corporation as set forth in the Corporation's charter or Bylaws such action may be approved by the vote of a majority of the entire Board of Directors of the Corporation.

THIRTEENTH: In determining whether a distribution (other than upon voluntary or involuntary liquidation), by dividend, redemption or other acquisition of shares or otherwise, is permitted under the Maryland General Corporation Law, amounts that would be needed, if the Corporation were to be dissolved at the time of the distribution, to satisfy the preferential rights upon dissolution of holders of any series of Preferred Stock whose preferential rights upon dissolution are superior to those receiving the distribution shall not be added to the Corporation's total liabilities.

IN WITNESS WHEREOF, the undersigned incorporator of Strayer Education, Inc., who executed the foregoing Articles of Incorporation, hereby acknowledges the same to be his act and further acknowledges that, to the best of his knowledge, information, and belief, the matters and facts set forth therein are true in all material respects under penalties of perjury.

Dated the 9th day of May, 1996.

/s/ Walter G. Lohr, Jr.

Walter G. Lohr, Jr.
Incorporator

STRAYER EDUCATION, INC.

ARTICLES SUPPLEMENTARY

Strayer Education, Inc., a Maryland corporation (the "Corporation"), hereby certifies to the State Department of Assessments and Taxation of Maryland that:

FIRST: Under a power contained in Article SEVENTH of the charter of the Corporation (the "Charter"), the Board of Directors of the corporation by duly adopted resolutions classified and designated 6 million shares of Preferred Stock (as defined in the Charter) as Series A Convertible Preferred Stock (the "Series A Preferred Stock"), with the following preferences, conversion and other rights, voting powers, restrictions, limitations as to dividends and other distributions, qualifications, and terms and conditions of redemption, which, upon any restatement of the Charter, shall become part of Article FIFTH of the Charter, with any necessary or appropriate renumbering or relettering of the sections or subsections hereof.

Series A Convertible Preferred Stock

1. Number of Shares; Designation. A total of 6 million shares of Preferred Stock of the Corporation have been classified and designated as Series A Convertible Preferred Stock (the "Series A Preferred Stock").
2. Rank. The Series A Preferred Stock shall, with respect to payment of dividends, redemption payments and rights upon liquidation, dissolution or winding up of the affairs of the Corporation, (x) rank senior and prior to the Common Stock, par value \$.01 per share, of the Corporation ("Common Stock") and to all Junior Dividend Stock (as defined in Section 3(a)) and all Junior Liquidation Stock (as defined in Section 6(b)) and any other class or series of stock of the Corporation that by its terms ranks junior to the Series A Preferred Stock as to payment of dividends, redemption payments and rights upon liquidation, dissolution or winding up of the affairs of the Corporation, (y) rank on a parity with all Parity Dividend Stock (as defined in Section 3(a)) and all Parity Liquidation Stock (as defined in Section 6(b)), and (z) rank junior to all Senior Dividend Stock (as defined in Section 3(c)), and all Senior Liquidation Stock (as defined in Section 6(b)); provided that any class or series of stock described in the foregoing clauses (y) and (z) shall be issued only in compliance with Sections 9(b)(ii) and 10(b)(i).
3. Dividends. (a)(i) From the date of the original issuance of the Series A Preferred Stock (the "Original Issuance Date") until the fifth anniversary of such date, the Corporation shall pay to the holders of the issued and outstanding shares of the Series A Preferred Stock, if, as and when authorized by the Board of Directors of the Corporation out of funds legally available therefor, with respect to each such share, cumulative dividends in an amount equal to (x) 7.0% per annum of the sum of the Liquidation Amount (as defined in Section 6(a)) and any accumulated and unpaid dividends thereon to the date of payment (including Accrued Dividends (as defined below)) (the "Initial Dividend Rate") plus (y) an amount equal to the product (if greater than zero) of (A) the number of shares of Common Stock into which each share of Series A Preferred Stock is convertible on the applicable Dividend Payment Date (as defined in Section 3(a)(iii)), appropriately adjusted to reflect changes in the

number of shares of Common Stock into which such share is convertible during any applicable calendar quarter in accordance with Section 7(f) as determined in good faith by the members of the Board of Directors of the Corporation, excluding the directors elected by the holders of the Series A Preferred Stock (such members, the "Independent Directors") (whose good faith determination shall be conclusive and binding and described in a resolution of such Independent Directors) and (B) the excess, if any, of the aggregate distributions or dividends authorized for the calendar quarter immediately preceding such Dividend Payment Date on one share of Common Stock over the Regular Quarterly Dividend (as defined below) (the "Excess Dividend Amount"). Of the Initial Dividend Rate, dividends in an amount equal to 3.5% per annum of the sum of the Liquidation Amount and accumulated and unpaid dividends thereon to the date of payment (excluding Accrued Dividends) shall be paid in cash on a current basis at a rate of .875% per quarter and the remainder (the "Accrued Dividends") shall not be paid in cash but shall accumulate quarterly from the Original Issuance Date and shall compound quarterly at the rate of .875% per quarter, whether or not authorized or declared, until the earliest of the Redemption Date (as defined herein), the Conversion Date (as defined herein), the occurrence of a Change of Control (after notice is given by the holders of Series A Preferred Stock pursuant to Section 6(c)) or an event (other than a Change of Control) described in Section 6(a) hereof. The Excess Dividend Amount shall be paid in the same manner as that received by the holders of the Common Stock.

(ii) From the day after the fifth anniversary of the Original Issuance Date, the Corporation shall pay to the holders of the issued and outstanding shares of the Series A Preferred Stock, if, as and when authorized by the Board of Directors of the Corporation, out of funds legally available therefor, with respect to each such share, cumulative cash dividends in an amount equal to (x) 3.0% per annum of the sum of the Liquidation Amount and any accumulated and unpaid dividends thereon to the date of payment (the "Subsequent Dividend Rate;" each of the Initial Dividend Rate and the Subsequent Dividend Rate being sometimes referred to herein as the "Dividend Rate"), plus (y) an amount equal to the product (if greater than zero) of (A) the number of shares of Common Stock into which each share of Series A Preferred Stock is convertible on the applicable Dividend Payment Date, appropriately adjusted to reflect changes in the number of shares of Common Stock into which such share is convertible during any applicable calendar quarter in accordance with Section 7(f) as determined in good faith by the Independent Directors (whose good faith determination shall be conclusive and binding and described in a resolution of such Independent Directors) and (B) the Excess Dividend Amount. The entire 3.0% per annum of the sum of the Liquidation Amount and accumulated and unpaid dividends thereon to the date of payment shall be paid in cash on a current basis at a rate of .75% per quarter. The Excess Dividend Amount shall be paid in the same manner as that received by the holders of Common Stock.

(iii) Dividends on shares of Series A Preferred Stock, whether or not authorized or declared, shall accumulate on a quarterly basis from the Original Issuance Date, shall compound quarterly at the applicable Dividend Rate and (except in the case of Accrued Dividends) shall be payable quarterly in arrears on the first day of January, April, July and October of each year, commencing on July 1, 2001 (each, a "Dividend Payment Date"), provided that the Excess Dividend Amount shall be paid in the same manner as that received by the holders of the Common Stock, and provided, further, that if any Dividend Payment Date is not a business day then the Dividend Payment Date shall be on the immediately succeeding business

day (as used herein, the term "business day" shall mean any day except a Saturday, Sunday or day on which banking institutions are legally authorized or obligated to close in the City of New York) (and without any distribution or other payment in respect of any such delay), except that, if such business day is in the next succeeding calendar year, such payment shall be made on the immediately preceding business day. Dividends shall cease to accumulate in respect of shares of Series A Preferred Stock on the Redemption Date (as defined below) or the Conversion Date (as defined below) for such shares, as the case may be, unless, in the case of a Redemption Date, the Corporation fails to pay any amount necessary for such redemption (including any unpaid dividends required to be paid at such time) or, in the case of a Conversion Date, the Corporation fails to deliver certificates representing the Common Stock or other assets or securities issuable upon such conversion within three business days of the Conversion Date or to make any payment with respect to any unpaid dividends required to be paid at such time, as the case may be, in which cases dividends shall continue to accumulate from the Redemption Date or the Conversion Date, as the case may be, at the applicable Dividend Rate, until such payment and/or delivery is made. If requested in writing by any holder not less than five days prior to any Dividend Payment Date, the Corporation shall pay the cash portion of any dividend authorized with respect to such Dividend Payment Date by means of wire transfer to an account specified by the holder in such notice.

(iv) All dividend payments paid (or accrued) with respect to shares of Series A Preferred Stock shall be paid pro rata to (or accrued pro rata for the benefit of) the holders entitled thereto, based on the number of shares of Series A Preferred Stock owned by each such holder.

(v) If any dividend (other than Accrued Dividends) payable on any Dividend Payment Date, together with all unpaid cash dividends in respect of prior periods, is not authorized and paid in full on such Dividend Payment Date, as provided in Section 3(a)(i), then until such time as all accumulated and unpaid dividends have been authorized and paid in full, shares of Series A Preferred Stock shall continue to accumulate dividends daily and any unpaid dividends shall compound quarterly at the applicable Dividend Rate. All references herein to "unpaid dividends" shall be deemed to include dividends accumulating and accruing pursuant to this Section 3(a)(v).

(vi) Dividends (other than Accrued Dividends) to be paid on any Dividend Payment Date shall be paid to the holders of record of shares of the Series A Preferred Stock as they appear on the stock register of the Corporation at the close of business on such record date (each, a "Dividend Payment Record Date"), which shall be not more than 40 days nor fewer than 10 days preceding each Dividend Payment Date thereof, as shall be fixed by the Board of Directors of the Corporation. Dividends (other than Accrued Dividends) not authorized and paid in full on any Dividend Payment Date shall be authorized and paid at any time as of which funds legally available therefor are available to the Corporation, without reference to any regular Dividend Payment Date, to the holders of record on such date (not exceeding 20 days nor fewer than 10 days preceding the date on which dividends in arrears will be paid) as may be fixed by the Board of Directors of the Corporation.

(vii) Holders of shares of the Series A Preferred Stock shall be entitled to receive dividends in preference to and in priority over dividends upon the Common Stock and

any other class or series of the Corporation's stock that ranks junior as to dividends to the Series A Preferred Stock (such stock, including the Common Stock, "Junior Dividend Stock") and shall be on a parity as to dividends with any class or series of the Corporation's stock that does not rank senior or junior as to dividends with the Series A Preferred Stock ("Parity Dividend Stock"), it being understood that nothing herein shall prevent the Corporation (as long as all accumulated dividends on the Series A Preferred Stock, other than Accrued Dividends, shall have been paid in accordance herewith) from paying (subject to approval of the Board of Directors of the Corporation) a quarterly dividend of \$0.065 per share of Common Stock, as such amount may be nominally increased from time to time in accordance with Section 9(b)(iv) hereof (the "Regular Quarterly Dividend").

(b) So long as any shares of the Series A Preferred Stock are outstanding, the Corporation shall not, unless all unpaid dividends (other than Accrued Dividends) on the Series A Preferred Stock shall have been paid in full, declare, pay or set apart for payment any dividend or other distribution on any of the Common Stock or other Junior Dividend Stock or make any payment on account of, or set apart for payment money for a sinking or other similar fund for, the purchase, redemption or other retirement of any of the Common Stock or other Junior Dividend Stock or any warrants, rights, calls or options exercisable for or convertible into any of the Common Stock or other Junior Dividend Stock, or make any distribution in respect thereof, either directly or indirectly, and whether in cash, obligations or shares of the Corporation or other property (other than, subject to Sections 7(f), 9(b) and 10(b) hereof, to the extent applicable, distributions or dividends in Common Stock or other Junior Dividend Stock to the holders of Common Stock or other Junior Dividend Stock), and shall not permit any corporation or other entity directly or indirectly controlled by the Corporation to purchase or redeem any of the Common Stock or other Junior Dividend Stock or any warrants, rights, calls or options exercisable for or convertible into any of the Junior Dividend Stock.

(c) If at any time the Corporation issues (in accordance with Section 9(b)(ii)) any class or series of stock ranking senior and prior to the Series A Preferred Stock with respect to the payment of dividends ("Senior Dividend Stock") and fails to pay or declare and set apart for payment accumulated and unpaid dividends on such Senior Dividend Stock, in whole or in part, then (except to the extent allowed by the terms of the Senior Dividend Stock) no dividend paid in cash shall be paid or authorized and set apart for payment on the Series A Preferred Stock unless and until all accumulated and unpaid dividends with respect to the Senior Dividend Stock shall have been paid or authorized and set apart for payment, without interest. Except as provided in Section 3(d) below, no dividends shall be paid or authorized and set apart for payment on any Parity Dividend Stock for any period unless the Corporation has paid or authorized and set apart for payment, or contemporaneously pays or declares and sets apart for payment, on the Series A Preferred Stock all unpaid dividends (other than Accrued Dividends) for all dividend payment periods terminating on or prior to the date of payment of such dividends. Except as provided in Section 3(d) below, no dividends paid in cash shall be paid or authorized and set apart for payment on the Series A Preferred Stock for any period unless the Corporation has paid or authorized and set apart for payment, or contemporaneously pays or declares and sets apart for such payment, on any Parity Dividend Stock all accumulated and unpaid dividends for all dividend payment periods terminating on or prior to the date of payment of such dividends.

(d) If at any time the Corporation has failed to pay any unpaid dividends on any shares of Series A Preferred Stock on any Dividend Payment Date or on any Parity Dividend Stock on a stated payment date, as the case may be, subject to Section 4, the Corporation shall not:

(i) purchase any shares of the Series A Preferred Stock or Parity Dividend Stock (except for a consideration payable in Common Stock or other Junior Dividend Stock) or redeem fewer than all of the shares of the Series A Preferred Stock and Parity Dividend Stock then outstanding except for (x) the repurchase or redemption of shares of the Series A Preferred Stock made pro rata among the holders of the shares of the Series A Preferred Stock then outstanding and (y) the repurchase or redemption made pro rata with respect to all shares of the Series A Preferred Stock and Parity Dividend Stock then outstanding so that the amounts repurchased or redeemed shall in all cases bear to each other the same ratio that, at the time of the repurchase or redemption, the aggregate of the then applicable Liquidation Amount (plus accumulated and unpaid dividends thereon to the date of payment) of all of the Series A Preferred Stock and the liquidation preference or amount of the other Parity Dividend Stock then outstanding, respectively, bear to each other; or

(ii) permit any corporation or other entity directly or indirectly controlled by the Corporation to purchase any Common Stock, Junior Dividend Stock, shares of the Series A Preferred Stock or Parity Dividend Stock, except to the same extent that the Corporation could purchase such shares pursuant to the foregoing clause (i).

Unless and until all unpaid dividends (other than Accrued Dividends) in respect of prior dividend payment periods on shares of the Series A Preferred Stock and any Parity Dividend Stock at the time outstanding have been paid in full, all dividends (other than Accrued Dividends) paid by the Corporation upon shares of the Series A Preferred Stock or Parity Dividend Stock shall be authorized pro rata with respect to all shares of the Series A Preferred Stock and Parity Dividend Stock then outstanding, so that the amounts of any dividends authorized on shares of the Series A Preferred Stock and on the Parity Dividend Stock shall in all cases bear to each other the same ratio that, at the time of the declaration, all unpaid dividends in respect of prior dividend payment periods on shares of the Series A Preferred Stock and the other Parity Dividend Stock, respectively, bear to each other.

4. Redemption at the Option of the Corporation. (a) Except as provided in this Section 4(a) and Section 4(b), shares of the Series A Preferred Stock shall not be redeemable at the election of the Corporation. From and after the date that is the third anniversary of the Original Issuance Date, the Corporation, at its option, may redeem within 45 days after a 200% Date (as defined below) shares of Series A Preferred Stock, in whole or in part, in the sole discretion of the Independent Directors, to the extent it has funds legally available therefor, at a redemption price in cash equal to 100% of the Liquidation Amount of each share of Series A Preferred Stock to be redeemed, plus an amount equal to the accumulated and unpaid dividends thereon (including Accrued Dividends), whether or not authorized, to the redemption date (any such date, a "Three Year Redemption Date"). No redemption shall be permitted pursuant to this Section 4(a) at any time during which the Common Stock is not listed on either the New York Stock Exchange (the "NYSE") or the National Association of Securities Dealers, Inc. Automated

Quotation System ("NASDAQ"). A "200% Date" shall be any date as of which the Closing Price of the Common Stock equals or exceeds 200% of the Conversion Price then in effect on at least 20 consecutive Trading Days immediately preceding such date and as of such date; provided that such 20 day period cannot begin prior to the third anniversary of the Original Issuance Date. "Trading Day" means a day on which securities are traded on the national securities exchange or quotation system or in the over-the-counter market used to determine Closing Prices for the Common Stock. "Closing Price" of the Common Stock on any day means the last reported per share sale price, regular way, of the Common Stock on such day, or, in case no such sale takes place on such day, the average of the reported closing per share bid and asked prices, regular way, of the Common Stock on such day, in each case on NASDAQ or, if the Common Stock is not quoted or admitted to trading on NASDAQ, on the principal national securities exchange or quotation system on which the Common Stock is listed or admitted to trading or quoted, or, if the Common Stock is not listed or admitted to trading or quoted on any national securities exchange or quotation system, the average of the closing per share bid and asked prices of the Common Stock on such day in the over-the-counter market as reported by a generally accepted national quotation service or, if not so available in such manner, as furnished by any NYSE member firm selected from time to time by the Board of Directors of the Corporation for that purpose or, if not so available in such manner, as otherwise determined in good faith by the Independent Directors (whose good faith determination shall be conclusive and binding and described in a resolution of the Independent Directors).

(b) From and after the date that is the fifth anniversary of the Original Issuance Date, the Corporation, at its option, may redeem shares of Series A Preferred Stock, in whole or in part, in the sole discretion of the Independent Directors, to the extent it has funds legally available therefor, at a redemption price in cash equal to 100% of the Liquidation Amount of each share of Series A Preferred Stock to be redeemed, plus an amount equal to the accumulated and unpaid dividends thereon (including Accrued Dividends), whether or not authorized, to the redemption date (any such date, a "Five Year Redemption Date;" each of the Three Year Redemption Date and the Five Year Redemption Date sometimes being referred to herein as the "Redemption Date").

(c) Not less than 15 days nor more than 45 days (such date as fixed by the Board of Directors of the Corporation is referred to herein as the "Redemption Record Date") prior to the date fixed for any redemption of shares of the Series A Preferred Stock pursuant to this Section 4, a notice specifying the time and place of the redemption and the number of shares to be redeemed shall be given by overnight courier or by certified mail return receipt requested, to the holders of record on the Redemption Record Date of the shares of the Series A Preferred Stock to be redeemed at their respective addresses as the same shall appear on the books of the Corporation, calling upon each holder of record to surrender to the Corporation on the Redemption Date at the place designated in the notice such holder's certificate or certificates representing the number of shares specified in the notice of redemption, provided that the Corporation shall at all times maintain an office or agency in the City of New York for such purposes. Neither failure to mail such notice, nor any defect therein or in the mailing thereof, to any particular holder shall affect the sufficiency of the notice or the validity of the proceedings for redemption with respect to the other holders. Any notice mailed in the manner herein provided shall be conclusively presumed to have been duly given whether or not the holder receives the notice. On or after the Redemption Date, each holder of shares of Series A

Preferred Stock to be redeemed shall present and surrender such holder's certificate or certificates for such shares to the Corporation at the place designated in the redemption notice and thereupon the redemption price of the shares, and any accumulated and unpaid dividends thereon to the Redemption Date, shall be paid to or on the order of the person whose name appears on such certificate or certificates as the owner thereof, and each surrendered certificate shall be canceled. In case fewer than all the shares represented by any such certificate are redeemed, a new certificate shall be issued representing the unredeemed shares.

(d) If a notice of redemption has been given pursuant to this Section 4 and, on or before the Redemption Date, the funds necessary for such redemption (including all dividends on the shares of Series A Preferred Stock to be redeemed, including Accrued Dividends, that will accumulate to the Redemption Date) shall have been set aside by the Corporation, separate and apart from its other funds, in trust for the pro rata benefit of the holders of the shares of Series A Preferred Stock so called for redemption, then, notwithstanding that any certificates for such shares of Series A Preferred Stock have not been surrendered for cancellation, on the Redemption Date dividends shall cease to accumulate on the shares of the Series A Preferred Stock to be redeemed and the holders of such shares shall cease to be stockholders with respect to those shares, shall have no interest in or claims against the Corporation by virtue thereof and shall have no voting or other rights with respect thereto, except the conversion rights provided in subsection (e) of this Section 4 and Section 7 below and the right to receive the monies payable upon such redemption, without interest thereon, upon surrender (and endorsement, if required by the Corporation) of their certificates, and the shares of Series A Preferred Stock represented thereby shall no longer be outstanding. Subject to applicable escheat laws, any monies so set aside by the Corporation and unclaimed at the end of four years from the Redemption Date shall revert to the general funds of the Corporation, after which reversion the holders of such shares so called for redemption shall look only to the general funds of the Corporation for the payment of the redemption price, without interest. Any interest accrued on funds so deposited shall belong to the Corporation and be paid thereto from time to time.

(e) If a notice of redemption has been given pursuant to this Section 4 and any holder of shares of Series A Preferred Stock shall, prior to the close of business on the business day immediately preceding the Redemption Date, give written notice to the Corporation pursuant to Section 7 below of the conversion of any or all of the shares to be redeemed held by the holder, then such redemption shall not become effective as to such shares to be converted and such conversion shall become effective as provided in Section 7 below, whereupon any funds deposited by the Corporation for the redemption of such shares shall (subject to any right of the holder of such shares to receive the dividends payable thereon as provided in Section 7 below) immediately upon such conversion be returned to the Corporation or, if then held in trust by the Corporation, shall automatically and without further corporate action or notice be discharged from the trust.

(f) In every case of redemption of fewer than all of the outstanding shares of the Series A Preferred Stock pursuant to this Section 4, the shares to be redeemed shall be selected pro rata among all holders of Series A Preferred Stock on the basis of the number of shares of Series A Preferred Stock owned by each such holder, provided that only whole shares shall be selected for redemption.

5. Redemption at the Option of the Holder.

(a) No holder of shares of Series A Preferred Stock shall have any right to require the Corporation to redeem any shares of Series A Preferred Stock prior to the earlier of (i) 10 years from the Original Issuance Date, (ii) a Change of Control, or (iii) the sale by the Corporation of all or substantially all of its assets (the "Optional Redemption Effective Date"). Thereafter, at any time following the Optional Redemption Effective Date, each holder of shares of Series A Preferred Stock shall have the right, at the sole option and election of such holder, to require the Corporation to redeem all or less than all of the shares of Series A Preferred Stock owned by such holder at a redemption price (the "Redemption Price") in cash equal to 100% of the Liquidation Amount of each share of Series A Preferred Stock to be redeemed, plus an amount equal to the accumulated and unpaid dividends thereon (including Accrued Dividends), whether or not authorized, to the redemption date.

(b) The holder of any shares of Series A Preferred Stock may exercise such holder's right to require the Corporation to redeem such shares by surrendering for such purpose to the Corporation, at its principal office or at such other office or agency maintained by the Corporation for that purpose (provided that the Corporation shall at all times maintain an office or agency in the City of New York for such purposes), certificates representing the shares of Series A Preferred Stock to be redeemed, accompanied by a written notice stating that such holder elects to require the Corporation to redeem all or less than all of such shares in accordance with the provisions of this Section 5(b), which notice may specify an account for delivery of the Redemption Price.

(c) Within fifteen (15) days after the surrender of such certificates, the Corporation shall pay to the holder of the shares being redeemed the Redemption Price therefor. Such payment shall be made by wire transfer of immediately available funds to an account designated by such holder.

(d) Subject to Section 5(e), such redemption shall be deemed to have been made at the close of business on the date of the receipt of such notice and of such surrender of the certificates representing the shares of the Series A Preferred Stock to be redeemed, the shares so redeemed shall no longer be deemed outstanding, the rights to receive dividends thereon shall cease from and after the date of redemption designated in the notice of redemption, and the rights of the holder thereof, except for the right to receive the Redemption Price therefor in accordance herewith, shall cease on such date of receipt and surrender.

(e) In the event that the Redemption Price is not paid when due in accordance with Section 5(c) hereof, then, in addition to any other rights that may otherwise be available to holders of Series A Preferred Stock pursuant to the terms of the Series A Preferred Stock or the Charter, and notwithstanding

Section 5(d) or any provision of the Charter to the contrary, (1) all shares of the Series A Preferred Stock redeemed pursuant to Section 5(d) shall be reissued or returned (as applicable) to all holders who exercised their option to redeem such shares, and the right to receive dividends (including Accrued Dividends) thereon and all other rights of the holder thereof shall be deemed to have continued as if such redemption had not occurred and (2) provided that the aggregate Redemption Price then due shall equal at least \$30 million, the total number of directors of the Corporation shall increase by such number of directors as will be

required to enable the holders of Series A Preferred Stock to elect a majority of the directors on the Board of Directors of the Corporation (the "Default Number"), and the holders of Series A Preferred Stock, voting together as a single class, shall by affirmative vote of holders of a plurality of the total number of shares of Series A Preferred Stock voting thereon, be entitled to elect, at a meeting of such stockholders or by written consent in lieu thereof, to the Board of Directors of the Corporation the Default Number of directors (the "Redemption Default Directors") (which directors shall be in addition to, and not in lieu of, any directors such holders may otherwise be entitled to elect pursuant to the terms of the Series A Preferred Stock and which directors shall each be required to satisfy any applicable qualifications existing under applicable law and shall be entitled to all rights of voting and participation as are directors of the Corporation generally), and shall be entitled exclusively, by affirmative vote of holders of a majority of the total number of shares of Series A Preferred Stock then outstanding or by written consent in lieu thereof, at any time to remove any director so elected. Any other provision of the terms of the Series A Preferred Stock or the Charter or Bylaws of the Corporation notwithstanding, no Redemption Default Director may be removed except in the manner provided for in this paragraph. Vacancies among the Redemption Default Directors resulting from death, resignation, retirement, disqualification, removal from office or other cause may be filled at any time, but only by the affirmative vote of holders of a plurality of the total number of shares of Series A Preferred Stock voting thereon, voting together as a single class, or by written consent in lieu thereof, and any director so chosen shall hold office for a term expiring on the date the term of office of the director such newly-elected director shall have replaced would have expired. At any time during which the holders of Series A Preferred Stock are entitled to elect Redemption Default Directors, in the event the Corporation pays in cash the aggregate Redemption Price owed by it pursuant to Section 5(a), then the term of any Redemption Default Director then in office shall terminate as of the time such payment is made, and the total number of directors of the Corporation shall decrease by the number of Redemption Default Directors then in office whose term shall have terminated and the holders of Series A Preferred Stock shall cease to have any rights hereunder to elect Redemption Default Directors, in each case, unless and until one or more of the conditions specified above shall recur. In addition, for so long as the holders of Series A Preferred Stock have rights to elect Redemption Default Directors, the holders shall have the rights set forth in Section Twelfth of the Charter.

6. Liquidation; Change of Control. (a) In the event of any voluntary or involuntary liquidation (complete or partial), dissolution or winding-up of the affairs of the Corporation, the holders of the Series A Preferred Stock shall be entitled to receive an amount in cash equal to the greater of (the "Greater Amount") (i) \$26.00 per share (the "Liquidation Amount") (subject to adjustment for any stock dividend, subdivision, combination or reclassification or similar event affecting the Series A Preferred Stock) plus an amount equal to the accumulated and unpaid dividends thereon (including Accrued Dividends), whether or not authorized, from the Original Issuance Date to the payment date and (ii) the product of (A) the price of the Common Stock (calculated as the average of the daily Closing Prices for the Common Stock for the five consecutive Trading Days selected by the Board of Directors of the Corporation commencing not more than 20 Trading Days before, and ending not later than the date of such liquidation, dissolution, or winding-up) and (B) the number of shares of Common Stock such holders would be entitled to receive upon conversion of such Series A Preferred Stock in accordance with the provisions of Section 7.

(b) In the event of any voluntary or involuntary liquidation (complete or partial), dissolution or winding-up of the Corporation, the holders of shares of Series A Preferred Stock (i) shall not be entitled to receive the Greater Amount of the shares held by them until payment in full or provision has been made for the payment of all claims of creditors of the Corporation and the liquidation preference of any class or series of stock ranking senior to the Series A Preferred Stock with respect to redemption rights and rights upon liquidation, dissolution or winding-up of the affairs of the Corporation ("Senior Liquidation Stock" and, together with the Senior Dividend Stock, the "Senior Stock"), plus accumulated and unpaid dividends thereon, if any, whether or not authorized, to the payment date, shall have been paid in full and (ii) shall be entitled to receive the Greater Amount of such shares held by them, in preference to and in priority over any distributions upon the Common Stock and any other series or class of the Corporation's stock that ranks junior to the Series A Preferred Stock as to redemption rights and rights upon liquidation, dissolution or winding-up of the affairs of the Corporation ("Junior Liquidation Stock" and, together with the Junior Dividend Stock, the "Junior Stock"). Upon payment in full of the Greater Amount to which the holders of shares of the Series A Preferred Stock are entitled, the holders of shares of the Series A Preferred Stock shall not be entitled to any further participation in any distribution of assets by the Corporation. Subject to clause (i) above, if the assets of the Corporation are not sufficient to pay in full the Greater Amount payable to the holders of shares of the Series A Preferred Stock and the liquidation preference payable to the holders of any series or class of the Corporation's stock, outstanding on the date hereof or hereafter issued, that ranks on a parity with the Series A Preferred Stock as to redemption rights and rights upon liquidation, dissolution or winding-up of the affairs of the Corporation ("Parity Liquidation Stock" and, together with the Parity Dividend Stock, the "Parity Stock"), the holders of all such shares shall share ratably in proportion to the full respective preferential amounts payable on such shares in any distribution.

(c) For the purposes of this Section 6, neither the sale of all or substantially all of the assets of the Corporation nor the consolidation or merger of the Corporation with or into any other entity, shall be deemed to be a voluntary or involuntary liquidation, dissolution or winding up of the Corporation, unless (i) such sale, consolidation or merger shall be in connection with a plan of liquidation, dissolution or winding up of the Corporation (in which event the holders of the Series A Preferred Stock shall be entitled to receive the Greater Amount per share held by them) or (ii) a Change of Control (as defined below) shall occur (in which case, the holders of the Series A Preferred Stock shall, if they so request in writing, subject to the third and fourth sentence of this Section 6(c), be entitled to receive the Liquidation Amount per share plus accumulated and unpaid dividends, including Accrued Dividends, thereon to the payment date). In the event of a Change of Control, the Corporation shall, not less than 30 days nor more than 60 days prior thereto, by overnight courier or certified mail return receipt requested, give notice thereof to the holders of the Series A Preferred Stock at their addresses as they appear on the books of the Corporation (which notice shall specify that the holders who desire to convert must satisfy the requirements for conversion contained in Section 7 hereof and shall set forth the Conversion Price) and shall comply with the provisions of Section 7. Each holder of shares of Series A Preferred Stock shall within 10 days of receipt of such notice give written notice to the Company that such holder wishes to receive the Liquidation Amount per share plus accumulated and unpaid dividends thereon to the payment date. Any holder who fails to give such notice shall be deemed to have elected to retain its shares of Series A Preferred Stock. The Corporation shall not consummate a Change of Control without adequately assuring the holders of the Series

A Preferred Stock the right to receive the amounts such holders are entitled to pursuant to this Section 6(c) as of such date in accordance with applicable law.

(d) A "Change of Control", with respect to any person, means the occurrence of any of the following:

(i) The acquisition by any person or group of persons of beneficial ownership (within the meaning of Rule 13d-3 promulgated under the Securities and Exchange Act of 1934, as amended) (other than (x) the Corporation or a Subsidiary (as defined in that certain Preferred Stock Purchase Agreement by and among the Corporation and the Purchasers listed therein, dated November 28, 2000 (the "Purchase Agreement")) of the Corporation in connection with the Offer (as defined in the Purchase Agreement) or (y) the holders of the Series A Preferred Stock or their respective Affiliates (as defined in the Purchase Agreement)) of 50% or more of either (1) the then outstanding shares of Common Stock of the person (the "Outstanding Company Common Stock") or (2) the combined voting power of the then outstanding voting securities of the person entitled to vote generally in the election of directors of such person (the "Outstanding Company Voting Securities"); provided, however, that any acquisition by any person pursuant to a transaction that complies with clauses (1), (2) and (3) of paragraph (iii) of this definition shall not be a Change of Control; or

(ii) Individuals who, as of the date hereof, constitute the Board of Directors of the Corporation or other similar governing body of such person or, with respect to any person organized or formed after the date hereof, the individuals who constitute members of such body at its first meeting (the "Incumbent Board") (it being understood that any members of the Board of Directors of the Corporation elected by the holders of the Series A Preferred Stock are members of the Incumbent Board) cease for any reason to constitute at least a majority of the Board of Directors of the Corporation or other similar governing body of such person; provided, however, that any individual becoming a director, or having similar management supervisory functions (for purposes of this definition, a "director") subsequent to the date hereof or date of such meeting whose election, or nomination for election by such person's shareholders, was approved by a vote of at least a majority of the directors then comprising the Incumbent Board shall be considered as though such individual were a member of the Incumbent Board, but excluding, for this purpose, any such individual whose initial assumption of office occurs as a result of an actual or threatened election contest with respect to the election or removal of directors or other actual or threatened solicitation of proxies or consents by or on behalf of a person other than the Incumbent Board of such person; or

(iii) Consummation of a reorganization, merger or consolidation, sale or other disposition of all or substantially all of the assets or shares of such person, or consummation of any acquisition by such person or any of its Subsidiaries, or any transaction similar to any of the foregoing (a "Business Combination"), in each case, unless, following such Business Combination, (1) all or substantially all of the persons who were the beneficial owners, respectively, of the Outstanding Company Common Stock and Outstanding Company Voting Securities of the applicable person immediately prior to such Business Combination beneficially own, directly or indirectly, a majority or

more of, respectively, the then Outstanding Company Common Stock and the then Outstanding Company Voting Securities, as the case may be, of the person resulting from such Business Combination (including a person which as a result of such transaction owns the applicable person or all or substantially all of the applicable person's assets either directly or through one or more Subsidiaries) (such resulting person, a "Resulting Corporation") in substantially the same proportions as their ownership, immediately prior to such Business Combination, of the Outstanding Company Common Stock and Outstanding Company Voting Securities of the applicable person, as the case may be, (2) no person or group of persons or their affiliates (excluding any Resulting Corporation and any holder of shares of Series A Preferred Stock or Affiliate thereof) beneficially owns, directly or indirectly, 50% or more of, respectively, the then Outstanding Company Common Stock of the Resulting Corporation or the then Outstanding Company Voting Securities of the Resulting Corporation, and (3) at least a majority of the members of the board of directors or other similar governing body of the Resulting Corporation were members of the Incumbent Board or were approved by a majority of the Incumbent Board at the time of the execution of the initial agreement, or of the action of the board or other similar governing body, providing for such Business Combination; or

(iv) Approval by the shareholders of such person of a complete liquidation or dissolution of such person.

7. Conversion. (a) Holders of shares of Series A Preferred Stock may, at any time after the Original Issuance Date, convert shares of Series A Preferred Stock, unless previously redeemed, into a number of shares of Common Stock calculated by dividing, for each share of Series A Preferred Stock to be converted, (1) the Liquidation Amount thereof, plus an amount equal to the accumulated and unpaid dividends thereon (including Accrued Dividends), whether or not authorized, to the Conversion Date (as defined below) by (2) \$26.00, subject to adjustment as described in Section 7(f) (the "Conversion Price"). If more than one share of Series A Preferred Stock shall be surrendered for conversion at one time by the same record holder, the number of full shares of Common Stock issuable upon conversion thereof shall be computed on the basis of the aggregate number of shares of Series A Preferred Stock so surrendered. In the case of shares of Series A Preferred Stock called for redemption, conversion rights shall (subject to Section 5(e)) expire at the close of business on the business day immediately preceding the Redemption Date. The holders of shares of Series A Preferred Stock that convert such shares into shares of Common Stock shall be entitled to receive (i) any unpaid dividends (including Accrued Dividends) accumulating through the Conversion Date, if a Conversion Notice (as defined below) is delivered by such holders on or after a Dividend Payment Date and before the next succeeding Dividend Payment Record Date or (ii) the dividend payable on (plus Accrued Dividends to) the subsequent Dividend Payment Date, if a Conversion Notice is delivered by such holders on or after a Dividend Payment Record Date and prior to the subsequent Dividend Payment Date, which amount (in each case (i) and (ii)) shall be included in the Liquidation Amount to be converted.

(b) Any holder of shares of Series A Preferred Stock electing to convert the shares or any portion thereof in accordance with Section 7(a) above shall give written notice (a "Conversion Notice") to the Corporation (which notice may be given by facsimile transmission) that such holder elects to convert the same and shall state therein the number of shares of Series

A Preferred Stock to be converted and the name or names in which such holder wishes the certificate or certificates for shares of Common Stock to be issued. Promptly thereafter, the holder shall surrender the certificate or certificates of shares of Series A Preferred Stock to be converted, duly endorsed, at the office of the Corporation or any transfer agent for such shares, or at such other place designated by the Corporation, provided that the Corporation shall at all times maintain an office or agency in the City of New York for such purposes. The Corporation shall, within three business days of receipt of such Conversion Notice, issue and deliver to or upon the order of such holder, against delivery of the certificates representing the shares of Series A Preferred Stock that have been converted, a certificate or certificates for the number of shares of Common Stock to which such holder shall be entitled (in the number(s) and denomination(s) designated by such holder), and the Corporation shall deliver to such holder a certificate or certificates for the number of shares of Series A Preferred Stock that such holder has not elected to convert. The conversion right with respect to any shares of Series A Preferred Stock shall be deemed to have been exercised at the date upon which the Conversion Notice is received by the Corporation (the "Conversion Date") and the person or persons entitled to receive the Common Stock issuable upon conversion shall be treated for all purposes as the record holder or holders of such Common Stock upon that date; provided, however, that nothing in this sentence shall relieve the Corporation of its obligation to deliver to the person or persons entitled to receive the Common Stock issuable upon conversion certificates therefor (and the payment required by Section 7(d), if applicable), or its obligation, if any, to pay any dividends accumulating after the Conversion Date pursuant to Section 3(a)(iii) above.

(c) No fractional shares of Common Stock shall be issued upon conversion of shares of Series A Preferred Stock. Instead of any fractional share of Common Stock otherwise issuable upon conversion of any shares of Series A Preferred Stock, the Corporation shall pay a cash adjustment in respect of such fraction in an amount equal to the same fraction of the Closing Price (determined as set forth in Section 4(a) hereof) of the Common Stock on the Conversion Date.

(d) If a holder converts shares of Series A Preferred Stock, the Corporation shall pay any documentary, stamp or similar issue or transfer tax due on the issue of Common Stock upon the conversion or due upon the issuance of a new certificate or certificates for any shares of Series A Preferred Stock not converted. The holder, however, shall pay any such tax that is due because any such shares of the Common Stock or of the Series A Preferred Stock are issued in a name other than the name of the holder.

(e) The Corporation shall at all times keep reserved out of its authorized but unissued Common Stock a sufficient number of shares of Common Stock to permit the conversion of all of the then-outstanding shares of Series A Preferred Stock. For the purposes of this Section 7(e), the full number of shares of Common Stock then issuable upon the conversion of all then-outstanding shares of Series A Preferred Stock shall be computed as if at the time of computation all outstanding shares of Series A Preferred Stock were held by a single holder. The Corporation shall from time to time, in accordance with the laws of the State of Maryland and its Charter, increase the authorized amount of its Common Stock if at any time the authorized amount of its Common Stock remaining unissued shall not be sufficient to permit the conversion of all shares of Series A Preferred Stock at the time outstanding. All shares of Common Stock issued upon conversion of the shares of Series A Preferred Stock shall be validly

issued, fully paid, nonassessable and free and clear of (i) any mortgage, deed of trust, pledge, hypothecation, assignment, encumbrance, lien (statutory or other), restriction or other security interest of any kind or nature whatsoever (collectively, "Liens"), other than any such Liens imposed by the holder to whom such shares are issued or such person's creditors and (ii) any preemptive or other similar rights.

(f) The Conversion Price shall be subject to adjustment as follows:

(i) In case the Corporation shall (A) pay a dividend on any class of its stock in shares of any class of Common Stock, (B) subdivide the outstanding shares of any class of Common Stock into a greater number of shares or (C) combine the outstanding shares of any class of Common Stock into a smaller number of shares, the Conversion Price in effect immediately prior thereto shall be adjusted by multiplying the Conversion Price at which the shares of Series A Preferred Stock were theretofore convertible by a fraction of which the denominator shall be the number of shares of Common Stock outstanding immediately following such action and of which the numerator shall be the number of shares of Common Stock outstanding immediately prior thereto. Such adjustment shall be made whenever any event listed above shall occur and shall become effective retroactively immediately after the record date in the case of a dividend and immediately after the effective date in the case of a subdivision or combination.

(ii) In case the Corporation shall issue rights or warrants to any person (including holders of its Common Stock) entitling such person or persons to subscribe for or purchase shares of Common Stock at a price per share less than the Applicable Price (as defined below) on the date of issuance, or in case the Corporation shall issue to any person (including holders of its Common Stock) other securities convertible into or exchangeable for Common Stock for a consideration per share of Common Stock deliverable upon conversion or exchange thereof less than the Applicable Price on the date of issuance, then the Conversion Price in effect immediately prior thereto shall be adjusted as provided below so that the Conversion Price therefor shall be equal to the price determined by multiplying (A) the Conversion Price at which shares of Series A Preferred Stock were theretofore convertible by (B) a fraction of which (x) the denominator shall be the sum of (1) the number of shares of Common Stock outstanding on the date of issuance of the convertible or exchangeable securities, rights or warrants and (2) the number of additional shares of Common Stock offered for subscription or purchase, or issuable upon such conversion or exchange, and (y) the numerator shall be the sum of (1) the number of shares of Common Stock outstanding on the date of issuance of such convertible or exchangeable securities, rights or warrants and (2) the number of additional shares of Common Stock which the aggregate offering price of the shares of Common Stock so offered would purchase at the Applicable Price. Such adjustment shall be made whenever such convertible or exchangeable securities, rights or warrants are issued, and shall become effective immediately after the date of issuance of such securities. In the event the price per share of Common Stock deliverable upon exercise of any outstanding right or warrant to purchase or subscribe for Common Stock, or upon conversion or exchange of any securities convertible into or exchangeable for shares of Common Stock, is adjusted or amended to an amount less than the Applicable Price as of the date of such adjustment or amendment, then the Conversion Price in effect

immediately prior thereto shall be adjusted as provided in the immediately preceding sentence as if such right, warrant or convertible or exchangeable security were newly issued by the Corporation on the date of such adjustment or amendment. The foregoing notwithstanding, upon the expiration of any right or warrant to purchase Common Stock, the issuance of which resulted in an adjustment in the Conversion Price pursuant to this Section 7(f)(ii), if any such right or warrant shall expire and shall not have been exercised, the Conversion Price shall be recomputed immediately upon such expiration and effective immediately upon such expiration shall be increased to the price it would have been (but reflecting any other adjustments to the Conversion Price made pursuant to the provisions of this Section

7(f) after the issuance of such rights or warrants) had the adjustment of the Conversion Price made upon the issuance of such rights or warrants been made on the basis of offering for subscription or purchase only that number of shares of Common Stock actually purchased upon the exercise of such rights or warrants. No further adjustment shall be made upon exercise of any right, warrant, convertible security or exchangeable security if any adjustment shall have been made upon issuance of such security. As used herein, (A) "Applicable Price" shall mean the Conversion Price or, if at any time the condition in clause (i) or (ii) of Section 10(a) is not satisfied and there are not on the Board of Directors of the Corporation Redemption Default Directors elected by the holders of the Series A Preferred Stock in accordance with Section 5(e), the Current Market Price, and (B) "Current Market Price" for a given date, with respect to any share of Common Stock, shall mean the average of the Closing Prices of such share (if available, as reported in The Wall Street Journal or other reputable financial news source) for the 20 consecutive Trading Days immediately preceding such date; provided, however, that with respect to options issued pursuant to duly adopted stock option or other plans of the Corporation under which options to purchase stock of the Corporation may be issued to employees or directors of the Corporation or of affiliates under the Corporation's control ("Corporation Option Plans"), each reference to "Current Market Price" in this subsection

(ii) shall be deemed to be a reference to the current market price or fair market value of the Common Stock or similar concept, if any, as such term or concept is used in the applicable Corporation Option Plan for determining the fair market value of such stock at the time of grant.

(iii) [Intentionally omitted]

(iv) In case the Corporation shall purchase, redeem or otherwise acquire any shares of Common Stock at a price per share greater than the Applicable Price on the date of such event, or in case the Corporation shall purchase, redeem or otherwise acquire other securities convertible into or exchangeable for Common Stock for a consideration per share of Common Stock into which such security is convertible or exchangeable greater than the Applicable Price on the date of such event, then the Conversion Price in effect immediately prior thereto shall be adjusted as provided below so that the Conversion Price therefor shall be equal to the price determined by multiplying (A) the Conversion Price at which shares of Series A Preferred Stock were theretofore convertible by (B) a fraction of which (x) the denominator shall be the Applicable Price immediately prior to such event, and (y) the numerator shall be the result of dividing: (1) (x) the product of (aa) the number of shares of Common Stock outstanding on a fully-diluted basis and (bb) the Applicable Price, in each case immediately prior to such event,

minus (y) the aggregate consideration paid by the Company in such event (plus, in the case of securities convertible into or exchangeable for Common Stock, the aggregate additional consideration to be paid to the Company upon exercise, conversion or exchange), by (2) the number of shares of Common Stock outstanding on a fully-diluted basis immediately after such event. Such adjustment shall be made whenever such Common Stock is issued or sold, and shall become effective immediately after the issuance or sale of such securities; provided, however, that no adjustment shall be made pursuant to this subsection (iv) if holders of a majority of the Series A Preferred Stock, voting separately as a class, consent in advance to the event that would otherwise give rise to such adjustment occurring without such Conversion Price adjustment.

(v) In case the Corporation shall issue or sell any shares of Common Stock at a price per share below the Applicable Price on the date the Corporation commits or agrees to such sale or issuance, then the Conversion Price in effect immediately prior thereto shall be adjusted as provided below so that the Conversion Price therefor shall be equal to the price determined by multiplying (A) the Conversion Price at which shares of Series A Preferred Stock were theretofore convertible by (B) a fraction of which (x) the denominator shall be the sum of (1) the number of shares of Common Stock outstanding on the date of issuance or sale of such shares of Common Stock and (2) the number of additional shares of Common Stock offered for sale or subject to issuance, and (y) the numerator shall be the sum of (1) the number of shares of Common Stock outstanding on the date of issuance or sale of such shares of Common Stock and (2) the number of additional shares of Common Stock which the aggregate offering price of the number of shares of Common Stock so offered or issued would purchase at the Applicable Price. Such adjustment shall be made whenever such Common Stock is issued or sold, and shall become effective immediately after the issuance or sale of such securities; provided, however, that the provisions of this subparagraph shall not apply to (1) shares of Common Stock issued upon conversion of shares of Series A Preferred Stock, (2) shares of Common Stock issued upon conversion of options issued or granted pursuant to Corporation Option Plans, or (3) shares of Common Stock issued in a bona fide public offering to or through a nationally recognized investment banking firm in which affiliates (as defined in the rules of the Securities and Exchange Commission promulgated under the Securities Exchange Act of 1934, as amended) of the Corporation (other than the Purchasers (as defined in the Purchase Agreement) and persons controlling the Purchasers) purchase less than 10% of the shares sold in such offering.

(vi) No adjustment in the Conversion Price shall be required unless the adjustment would require an increase or decrease of at least 1% in the Conversion Price then in effect; provided, however, that any adjustments that by reason of this Section 7(f)(vi) are not required to be made shall be carried forward and taken into account in any subsequent adjustment. All calculations under this Section 7(f) shall be made to the nearest cent.

(vii) In the event that at any time the holder of any share of Series A Preferred Stock thereafter surrendered for conversion shall become entitled to receive any shares of the Corporation other than shares of the Common Stock, thereafter the number of such other shares so receivable upon conversion of any share of Series A Preferred Stock shall

be subject to adjustment from time to time in a manner and on terms as nearly equivalent as practicable to the provisions with respect to the Common Stock contained in Section 7(f), and the other provisions of this Section 7 with respect to the Common Stock shall apply on like terms to any such other shares.

(viii) Whenever the Conversion Price is adjusted, as herein provided, the Corporation shall promptly file with the transfer agent for the Series A Preferred Stock, if any, a certificate of an officer of the Corporation setting forth the Conversion Price after the adjustment and setting forth a brief statement of the facts requiring such adjustment and a computation thereof (each, a "Conversion Certificate") and promptly thereafter the Corporation shall cause a notice of the adjusted Conversion Price to be mailed to each registered holder of shares of Series A Preferred Stock; provided that if there is no transfer agent for the Series A Preferred Stock, then the Corporation shall promptly send a copy of the Conversion Certificate to each holder of record by overnight courier or by certified mail, return receipt requested.

(ix) In case of any reclassification of the Common Stock, any consolidation of the Corporation with, or merger of the Corporation into, any other entity, any merger of another entity into the Corporation (other than a merger that does not result in any reclassification, conversion, exchange or cancellation of outstanding shares of Common Stock of the Corporation), any sale or transfer of all or substantially all of the assets of the Corporation or any compulsory share exchange pursuant to which share exchange the Common Stock is converted into other securities, cash or other property (each such transaction, a "Fundamental Change"), then lawful provision shall be made as part of the terms of such transaction whereby the holder of each share of Series A Preferred Stock outstanding immediately prior thereto shall have the right thereafter, during the period such share of Series A Preferred Stock shall be convertible, to convert such share into the kind and amount of securities, cash and other property receivable upon the reclassification, consolidation, merger, sale, transfer or share exchange by a holder of the number of shares of Common Stock of the Corporation into which a share of Series A Preferred Stock would have been convertible immediately prior to the reclassification, consolidation, merger, sale, transfer or share exchange. The Corporation, the person formed by the consolidation or resulting from the merger or which acquires such assets or which acquires the Corporation's shares, as the case may be, shall make provisions in its certificate or articles of incorporation or other constituent document to establish such rights and such rights shall be clearly provided for in the definitive transaction documents relating to such transaction, and the Corporation agrees that it will not be a party to or permit such Fundamental Change to occur unless such provisions are so made as a part of the terms thereof. The certificate or articles of incorporation or other constituent document shall provide for adjustments, which, for events subsequent to the effective date of the certificate or articles of incorporation or other constituent document, shall be as nearly equivalent as may be practicable to the adjustments provided for in this Section 7. The provisions of this Section 7(f)(ix) shall similarly apply to successive reclassifications, consolidations, mergers, sales, transfers or share exchanges.

(x) In the event any Merger Event (as defined below) is proposed or the Corporation enters into any agreement providing for a Merger Event, and the fair market

value of the cash, securities and other property to be received by holders of shares of Common Stock for each share of Common Stock held, or into which shares of Common Stock are to be converted in such event (the "Merger Event Consideration"), is less than the Conversion Price then in effect, then each holder of shares of Series A Preferred Stock may elect to cause all of such holder's shares of Series A Preferred Stock to be converted into shares of Common Stock effective immediately prior to the Merger Event on the basis of an adjusted Conversion Price equal to 99% of the fair market value of the Merger Event Consideration. The Corporation shall not engage in any Merger Event or permit any Merger Event to occur unless not less than 30 days prior to the proposed date of such Merger Event the Corporation shall have sent, by overnight courier or certified mail return receipt requested, a notice to each holder of Series A Preferred Stock at such holder's address as it appears on the stock books of the Corporation, which notice shall: (i) describe the contemplated Merger Event and indicate the date on which the Merger Event is expected to be consummated; (ii) state the Merger Event Consideration; (iii) inform such holders of their right to effect a conversion pursuant to and in accordance with this subsection in connection with the proposed Merger Event; and (iv) state that holders electing not to convert pursuant to this subsection shall have the rights set forth in subsection (ix) above. The term "Merger Event" shall mean (1) any consolidation of the Corporation with, or merger of the Corporation into, any other entity, (2) any merger of another entity into the Corporation (other than a merger that does not result in any reclassification, conversion, exchange or cancellation of outstanding shares of any class of Common Stock of the Corporation), (3) any sale or transfer of all or substantially all of the assets of the Corporation or (4) any compulsory share exchange pursuant to which share exchange the Common Stock is to be converted into other securities, cash or other property, except, in each of cases (1) - (4), for any such event in which the consideration to be received by holders of Common Stock consists solely of shares of common stock of the acquiring or surviving corporation of such event, which common stock is listed or admitted to trading or quoted on the NYSE, the American Stock Exchange or NASDAQ. For purposes of this subsection (x), the fair market value of any securities for which a current market price (calculated in the same manner, mutatis mutandis, as set forth in the definition of Current Market Price in Section 7(f)(ii) with respect to the Common Stock) is ascertainable shall be the current market price for such security as of the relevant date, and the fair market value of all other securities and all other assets or property shall be determined in good faith by the Board of Directors of the Corporation.

(xi) If any event occurs as to which the foregoing provisions of this Section 7(f) are not strictly applicable or, if strictly applicable, would not, in the good faith judgment of the Board of Directors of the Corporation, fairly protect the conversion rights of the Series A Preferred Stock in accordance with the essential intent and principles of such provisions, then the Board of Directors of the Corporation shall make such adjustments in the application of such provisions, in accordance with such essential intent and principles, as shall be reasonably necessary, in the good faith opinion of the Board of Directors of the Corporation, to protect such conversion rights as aforesaid, but in no event shall any such adjustment have the effect of increasing the Conversion Price, or otherwise adversely affect the holders.

(g) The Independent Directors may make such reductions in the Conversion Price, in addition to those required by the foregoing paragraphs, as it considers to be advisable to avoid or diminish any income tax to holders of Common Stock or rights to purchase Common Stock resulting from any dividend or distribution of stock (or rights to acquire stock) or from any event treated as such for income tax purposes. The Independent Directors from time to time may reduce the Conversion Price by any amount for any period of time if the period is at least 20 days and if the reduction is irrevocable during the period. Whenever the Conversion Price is reduced pursuant to either of the two preceding sentences, the Corporation shall mail to holders of record of the Series A Preferred Stock a notice of the reduction at least 15 days before the date the reduced Conversion Price takes effect, stating the reduced Conversion Price and the period it will be in effect. A voluntary reduction of the Conversion Price does not change or adjust the Conversion Price otherwise in effect for purposes of paragraph 7(f) above.

8. Status of Shares. All shares of the Series A Preferred Stock that are at any time redeemed pursuant to Sections 4 or 5 or converted pursuant to Section 7 and all shares of the Series A Preferred Stock that are otherwise reacquired by the Corporation shall have the status of authorized but unissued shares of Preferred Stock, without designation as to series, subject to reissuance by the Board of Directors of the Corporation as shares of any one or more other classes or series.

9. Voting Rights. (a) For so long as any shares of the Series A Preferred Stock are outstanding, each share of Series A Preferred Stock shall entitle the holder thereof to notice of, to attend and to vote at, in person or by proxy, any special or annual meeting of stockholders, on all matters entitled to be voted on by holders of Common Stock and any other series or class of Voting Stock (as defined in Section 9(d)) voting together as a single class (except as set forth in Sections 9(b) and 10) with all other shares entitled to vote thereon. With respect to any such vote, each share of Series A Preferred Stock shall entitle the holder thereof to cast that number of votes per share as is equal to the number of votes that such holder would be entitled to cast had such holder converted its shares of Series A Preferred Stock into shares of Common Stock, as of the record or other applicable date for determining the stockholders of the Corporation eligible to vote on any such matters.

(b) For so long as any shares of Series A Preferred Stock are outstanding, in addition to any vote or consent of stockholders required by law or by the Charter, the affirmative vote, given in person or by proxy at any meeting called for such purpose, or written consent, of the holders of at least a majority of the Series A Preferred Stock at any time issued and outstanding, acting as a single class, shall be necessary for effecting, entering into, engaging in or approving:

(i) any reclassification of the Series A Preferred Stock or any amendment, alteration or repeal (including as a result of a merger or consolidation involving the Corporation or otherwise by operation of law) of any provision of the Corporation's Charter or Bylaws, which adversely affects the dividend or liquidation preferences, voting powers or other rights of the holders of the Series A Preferred Stock;

(ii) the authorization or creation of, or the increase in the authorized amount of, or the issuance of any shares of any class or series of (or the reclassification of any

securities into) securities of the Corporation ranking senior to or on a par with the Series A Preferred Stock with respect to distributions or rights on liquidation, or any security convertible into or exercisable for or otherwise representing the right to acquire any such securities or any derivative or similar securities representing any of the foregoing;

(iii) any issuance of shares of Common Stock at a price equal to or less than \$26 per share of Common Stock, appropriately adjusted to reflect any changes in the capitalization of the Corporation after the date hereof as determined in good faith by the Board of Directors of the Corporation, or of securities convertible into or exchangeable for, or otherwise representing the right to acquire, Common Stock for a consideration per share of Common Stock deliverable upon conversion, exchange or exercise thereof equal to or less than \$26 per share of Common Stock (appropriately adjusted as described above) based on the initial consideration paid for such convertible, exchangeable or exercisable security; and

(iv) the declaration, payment or making of any dividend or other distribution (in cash, property or obligations) in respect of any shares of stock of the Corporation other than dividends on the Series A Preferred Stock and the Regular Quarterly Dividends in cash (appropriately adjusted to reflect changes in the Common Stock after the date hereof as determined in good faith by the Board of Directors of the Corporation); provided that the Board of Directors of the Corporation may without a vote of the holders of the Series A Preferred Stock nominally increase the Regular Quarterly Dividend above \$0.065; and provided, further, that such nominal increase is done in a manner consistent with past practice.

(c) In connection with any right to vote pursuant to Section 9(b), each holder of shares of Series A Preferred Stock shall have one vote for each share held.

(d) The term "Voting Stock" means any class or classes of stock, or securities convertible into or exchangeable for any class of stock, of the Corporation pursuant to which the holders thereof have the general power under ordinary circumstances to vote with respect to the election of at least a majority of the Board of Directors of the Corporation, irrespective of whether or not, at the time, stock of any other class or classes shall have, or might have, voting power by reason of the happening of any contingency.

10. Board Representation. (a) For as long as (i) shares of Series A Preferred Stock entitling the holders thereof to cast an aggregate of at least 90% of the votes that can be cast by the holders of Series A Preferred Stock pursuant to Section 9(a) hereof as of the Original Issuance Date are outstanding, the holders thereof shall be entitled to elect, at a meeting of such stockholders or by written consent in lieu thereof, at least one half of the members of the Board of Directors of the Corporation, (ii) shares of Series A Preferred Stock entitling the holders thereof to cast an aggregate of at least 50% of the votes that can be cast by the holders of Series A Preferred Stock pursuant to Section 9(a) as of the Original Issuance Date hereof are outstanding, the holders thereof shall be entitled to elect, at a meeting of such stockholders or by written consent in lieu thereof, at least 40% of the members of the Board of Directors of the Corporation, (iii) shares of Series A Preferred Stock entitling the holders thereof to cast an aggregate of at least 25% of the votes that can be cast by the holders of Series A Preferred Stock

pursuant to Section 9(a) as of the Original Issuance Date hereof are outstanding, the holders thereof shall be entitled to elect, at a meeting of such stockholders or by written consent in lieu thereof, at least one quarter of the members of the Board of Directors of the Corporation, or (iv) shares of Series A Preferred Stock entitling the holders thereof to cast an aggregate of at least 10% of the votes that can be cast by the holders of Series A Preferred Stock pursuant to Section 9(a) as of the Original Issuance Date hereof are outstanding, the holders thereof shall be entitled to elect, at a meeting of such stockholders or by written consent in lieu thereof, at least one member of the Board of Directors of the Corporation; provided, however, that each voting requirement in clauses (i) through (iv) shall be appropriately adjusted to reflect any changes in the Common Stock after the date hereof. A plurality of all votes cast by holders of the Series A Preferred Stock at a meeting at which a quorum is present shall be sufficient to elect a director pursuant to this

Section 10. As long as at least 10% of the votes that can be cast by the holders of Series A Preferred Stock pursuant to Section 9(a) as of the Original Issuance Date hereof are outstanding, each committee of the Board of the Corporation, the board of directors of any Subsidiary of the Corporation and each committee of any such Subsidiary's board of directors shall include a proportionate number of directors nominated by the holders of Series A Preferred Stock.

(b) As long as the condition in either clause (i) or clause (ii) of Section 10(a) is satisfied, the Corporation shall not, and shall not permit any of its Subsidiaries to, without the consent of the majority of the directors elected by the holders of Series A Preferred Stock in accordance with either of such clauses, effect or validate any of the following:

(i) any authorization or issuance, reclassification, repurchase, redemption or other acquisition of any of its equity securities or any rights, warrants, options or other securities exercisable for, convertible into or otherwise carrying the right to acquire any equity securities, or any derivative or similar securities with respect to any of the foregoing;

(ii) any issuance or incurrence of (or agreement to issue or incur, including by way of an acquisition of any entity, or any merger, business combination or similar transaction or as a result of any amendment to any indenture, credit agreement or other similar instrument) Debt (as defined below) if, after giving effect thereto, the Corporation's Debt would be greater than \$25 million, on a consolidated basis;

(iii) the liquidation, dissolution, winding up or reorganization of the Corporation;

(iv) any transaction or series of related transactions involving a Change of Control (without reference to the exceptions in clauses (1), (2) and (3) of paragraph (iii) of the definition of such term) or the sale of all or substantially all of the equity or assets of the Corporation, or any acquisition, disposition or other business combination transaction (or series of transactions) involving consideration in an amount greater than \$20 million in the aggregate (including without limitation (x) the purchase price paid or to be paid in connection with such transaction (whether pursuant to lump sum payments, future payments, earn-out payments or combinations thereof, with any future payments

discounted to present value) and (y) any and all liabilities which are assumed or to be assumed in connection with such transaction);

(v) any amendment to the Corporation's Charter or Bylaws;

(vi) the removal or replacement of, or the establishment of the level or form of compensation payable to, the Corporation's Chief Executive Officer, Chief Operating Officer or Chief Financial Officer.

(c) Any directors elected by the holders of Series A Preferred Stock pursuant to Section 10(a) (the "Designated Directors") shall be entitled to all rights of voting and participation as are directors of the Corporation generally. The holders of the Series A Preferred Stock shall be entitled exclusively, by affirmative vote of holders of a majority of the total number of shares of Series A Preferred Stock then outstanding or by written consent in lieu thereof, at any time to remove any Designated Director (provided that the Independent Directors shall, to the extent permitted by applicable law, have the right to remove, but not replace, any Designated Director who has been convicted of a felony involving moral turpitude or has been found by a court or other governmental authority having competent jurisdiction to have engaged in material willful misconduct). Any other provision of the terms of the Series A Preferred Stock or the Charter or Bylaws of the Corporation notwithstanding, no Designated Director may be removed except in the manner provided for in this Section 10(c). Vacancies among the Designated Directors resulting from death, resignation, retirement, disqualification, removal from office or other cause may be filled at any time, but only by the affirmative vote of holders of a plurality of the total number of shares of Series A Preferred Stock cast, voting at a meeting together as a single class, or by a majority of the total number of shares of Series A Preferred Stock then outstanding acting by written consent in lieu thereof, and any director so chosen shall hold office for a term expiring on the date the term of office of the director such newly-elected director shall have replaced would have expired.

(d) For purposes of this Section 10, "Debt" shall mean, with respect to any person, whether recourse is to all or a portion of the assets of such person and whether or not contingent, and without duplication, (i) every obligation of such person for money borrowed; (ii) every obligation of such person evidenced by bonds, debentures, notes or other similar instruments, including obligations incurred in connection with the acquisition of property, assets or businesses; (iii) every reimbursement obligation of such person with respect to letters of credit, bankers' acceptances or similar facilities issued for the account of such person; (iv) every obligation of such person issued or assumed as the deferred purchase price of property or services but excluding trade accounts payable; (v) every capital lease obligation of such person; (vi) all indebtedness of such person, whether incurred on or prior to the Original Issuance Date or thereafter incurred, for claims in respect of derivative products, including interest rate, foreign exchange rate and commodity forward contracts, options and swaps and similar arrangements; (vii) every other liability or obligation of such person but excluding trade accounts payable; and (viii) every obligation of the type referred to in clauses (i) through (vii) of another person and all dividends of another person the payment of which, in either case, such person has guaranteed or is responsible or liable for, directly or indirectly, as obligor or otherwise.

11. Preemptive Rights. Holders of the Series A Preferred Stock shall have the preemptive rights as set forth in Article Seventh of the Charter.

12. Notice of Certain Events. The holders of shares of the Series A Preferred Stock will be entitled to receive written notice of any liquidation, Change of Control or redemption and shall be given an opportunity to convert their Series A Preferred Stock immediately prior to any such liquidation, Change of Control or redemption in the manner specified above, if so specified, or if not so specified, in such a manner as is reasonably likely to give the holders such an opportunity.

SECOND: The shares of Series A Preferred Stock have been classified and designated by the Board of Directors of the Corporation under the authority contained in the Charter.

THIRD: These Articles Supplementary have been approved by the Board of Directors of the Corporation in the manner and by the vote required by law.

FOURTH: The undersigned President of the Corporation acknowledges these Articles Supplementary to be the corporate act of the Corporation and, as to all matters or facts required to be verified under oath, the undersigned President acknowledges that, to the best of his knowledge, information and belief, these matters and facts are true in all material respects and that this statement is made under the penalties for perjury.

IN WITNESS WHEREOF, the Corporation has caused these Articles Supplementary to be signed in its name and on its behalf by its President and attested to by its Secretary on this 15th day of May, 2001.

ATTEST:

STRAYER EDUCATION, INC.

/s/ Steven A. McArthur
(SEAL)

By: /s/ Robert S. Silberman

Name: Steven A. McArthur
Title: Secretary

Name: Robert S. Silberman
Title: President and Chief
Executive Officer

EXHIBIT 4.02

REGISTRATION RIGHTS AGREEMENT

This Agreement, dated May 15, 2001, is entered into by and among New Mountain Partners, L.P. and DB Capital Investors, L.P. (the "Purchasers") and Strayer Education, Inc., a Maryland corporation (the "Company").

Reference is made to the Preferred Stock Purchase Agreement dated as of November 28, 2000 (the "Purchase Agreement"), by and between the Company and the Purchasers pursuant to which, among other things, the Company will issue and sell to the Purchasers upon the terms set forth therein 5,769,231 shares of Series A Convertible Preferred Stock, par value \$0.01 per share, of the Company (the "Series A Preferred Stock"). The Company agrees with the Purchasers for the benefit of the Covered Holders (as defined herein) from time to time of the Registrable Securities (as defined herein) as follows:

1. DEFINITIONS. (a) As used in this Agreement and except as otherwise defined herein, the following defined terms shall have the following meanings:

"Affiliate" of any specified Person means any other Person which, directly or indirectly, is in control of, is controlled by, or is under common control with such specified Person. For purposes of this definition, control of a Person means the power, direct or indirect, to direct or cause the direction of the management and policies of such Person whether by contract or otherwise; and the terms "controlling" and "controlled" have meanings correlative to the foregoing.

"Applicable Securities" means in relation to a Registration Statement the Registrable Securities identified in the related Demand Notice or Piggy-back Notice.

"Commission" means the United States Securities and Exchange Commission.

"Common Stock" means the Company's common stock, par value \$0.01 per share.

"Covered Holder" means each of (i) the Purchasers and any of their respective Affiliates that acquires Registrable Securities from any Purchaser or any of their respective Affiliates and (ii) any other Person who acquires (consistent with the terms of the Purchase Agreement and the Articles Supplementary relating to the Series A Preferred Stock) Registrable Securities for an aggregate purchase price of at least \$10 million (or which have a Liquidation Amount of at least \$10 million) and who shall have been designated as a Covered Holder by any Purchaser in a written notice to the Company, provided that the rights of any Person designated as a Covered Holder referred to in clause (ii) shall be limited if and to the extent provided in such notice; and provided further, that each Purchaser shall not be entitled (x) to designate more than 5 Covered Holders or (y) to designate any Covered Holder to the extent the Registrable Securities would continue to be Registrable Securities for a period longer than would be the case in the hands of such Purchaser or any of its Affiliates (so that the period for which such Registrable Securities shall continue to be Registrable Securities in the hands of such designee shall be

limited to the period in which they would have been Registrable Securities in the hands of such Purchaser or any of its Affiliates).

"Demand Notice" means a notice given by Covered Holders pursuant to Section 2(a).

"Effective Time" means the date on which the Commission declares a Registration Statement effective or on which a Registration Statement otherwise becomes effective.

"Effectiveness Period" means as to a Registration Statement the period during which such Registration Statement is effective.

"Electing Holder" means, with respect to a Registration, any Covered Holder that has delivered a completed and signed Notice and Questionnaire to the Company in accordance with the provisions hereof.

"Exchange Act" means the United States Securities Exchange Act of 1934, as amended.

"Liquidation Amount" has the meaning assigned to such term in the Articles Supplementary classifying and designating the Series A Preferred Stock.

"NASD Rules" means the Rules of the National Association of Securities Dealers, Inc., as amended from time to time.

"Notice and Questionnaire" means a Notice of Registration Statement and Selling Stockholder Questionnaire substantially in the form of Exhibit A hereto.

"Person" means an individual, partnership, corporation, trust, limited liability company or unincorporated organization, or other entity or organization, including a government or agency or political subdivision thereof.

"Piggy-back Notice" means a Notice given by a Covered Holder pursuant to Section 3(a) hereof.

"Prospectus" means the prospectus (including, without limitation, any preliminary prospectus, any final prospectus and any prospectus that discloses information previously omitted from a prospectus filed as part of an effective Registration Statement in reliance upon Rule 430A under the Act) included in a Registration Statement, as amended or supplemented by any prospectus supplement with respect to the terms of the offering of any portion of the Applicable Securities covered by a Registration Statement and by all other amendments and supplements to such prospectus, including all material incorporated by reference in such prospectus and all documents filed after the date of such prospectus by the Company under the Exchange Act and incorporated by reference therein.

"Registrable Securities" means the Series A Preferred Stock and the Common Stock and other securities, if any, issuable upon conversion of the Series A Preferred Stock, as well as any Common Stock that may be sold and purchased if any, pursuant to the Support

and Option Agreement (as defined in the Purchase Agreement) upon exercise of the option described therein and any securities issued in respect of the rights of the holders under Article Second of the Articles of Amendment (as defined in the Purchase Agreement), in each case, until any such security is effectively registered under the Securities Act and disposed of in accordance with the Registration Statement covering it, or is distributed to the public by the holder thereof pursuant to Rule 144, or with respect to any Covered Holder owning less than \$10 million in fair market value of the Registrable Securities, all the Registrable Securities held by that Covered Holder are eligible for sale pursuant to Rule 144 without holding period or volume limitations.

"Registration" means a registration under the Securities Act effected pursuant to Section 2 or Section 3 hereof.

"Registration Expenses" means all expenses incident to the Company's performance of or compliance with any Registration of Registrable Securities pursuant to this Agreement, including, without limitation, (a) all registration, filing and National Association of Securities Dealers, Inc. fees, (b) all fees and expenses of complying with securities or blue sky laws, (c) all word processing, duplicating and printing expenses, messenger and delivery expenses, (d) the fees and disbursements of counsel for the Company and of its independent public accountants, including the expenses of any special audits or "comfort" letters required by or incident to such performance and compliance, (e) premiums and other costs of policies of insurance obtained by the Company against liabilities arising out of the public offering of Registrable Securities being registered and (f) any fees and disbursements of underwriters customarily paid by issuers, but excluding (i) any fees and disbursements of underwriters customarily paid by sellers of securities who are not the issuers of such securities and (ii) all underwriting discounts and commissions and transfer taxes, if any, relating to Registrable Securities.

"Registration Statement" means a registration statement filed under the Securities Act by the Company pursuant to the provisions of Section 2 or Section 3 hereof, including the Prospectus contained therein, any amendments and supplements to such registration statement, including post-effective amendments, and all exhibits and all material incorporated by reference in such registration statement.

"Rule 144" means Rule 144 promulgated by the Commission under the Securities Act, as such Rule may be amended from time to time, or any similar rule or regulation hereafter adopted by the Commission.

"Rules and Regulations" means the published rules and regulations of the Commission promulgated under the Securities Act or the Exchange Act, as in effect at any relevant time.

"S-3 Eligible" means that the Company meets the registrant requirements and transaction requirements for the use of Form S-3 of the Commission, as set forth in the General Instructions to such Form.

"Securities Act" means the United States Securities Act of 1933, as amended.

"Underwriter" means any underwriter of Applicable Securities designated by Covered Holders pursuant to Section 2(e) hereof.

(b) The words "include," "includes" and "including," when used in this Agreement, shall be deemed to be followed by the words "without limitation."

2. DEMAND REGISTRATION. (a) The Covered Holders shall have the right, on not more than two occasions in the aggregate, occurring no more frequently than once during any six month period, to require the Company (subject to the next sentence) to use its reasonable best efforts to register for offer and sale under the Securities Act all or a portion of the Registrable Securities then outstanding; provided, however, that, without limiting the foregoing, if the Company is S-3 Eligible during any calendar year, then the Covered Holders shall also have the right, on not more than two occasions in the aggregate during such calendar year, to require the Company to register for offer and sale pursuant to a Registration Statement on Form S-3 (which shall be a "shelf" Registration Statement pursuant to Rule 415 under the Securities Act, or a successor provision) if so requested by a majority of the Covered Holders (which majority shall be calculated based on the number of Registrable Securities held by all Covered Holders) all or a portion of the Registrable Securities then outstanding. As promptly as practicable after the Company receives a notice from the Covered Holders (a "Demand Notice") demanding that the Company register for offer and sale under the Securities Act Registrable Securities having as to each Registration an expected aggregate offering price of at least \$10,000,000, subject to Section 2(b), the Company shall (i) file with the Commission a Registration Statement relating to the offer and sale of the Applicable Securities on Form S-3, or if Form S-3 is not available, on such other form as the Company may reasonably deem appropriate and, thereafter, (ii) use all reasonable efforts to cause such Registration Statement to be declared effective under the Securities Act as promptly as practicable after the date of filing of such Registration Statement; provided, however, that no Covered Holder shall be entitled to be named as a selling stockholder in the Registration Statement or to use the Prospectus forming a part thereof for resales of Registrable Securities unless such Covered Holder is an Electing Holder. Subject to Section

2(b), the Company shall use all reasonable efforts to keep each Registration Statement continuously effective in order to permit the Prospectus forming a part thereof to be usable by Covered Holders for resales of Registrable Securities for an Effectiveness Period ending on the earlier of (i) 90 days from the Effective Time of such Registration Statement (two years in the case of a shelf registration pursuant to Rule 415 or any successor rule thereto on Form S-3) and (ii) such time as all of such securities have been disposed of by the selling stockholders.

(b) If the Company determines in good faith based upon the advice of counsel that the use of such Registration would result in a disclosure of information that would materially and adversely affect any proposed or pending material acquisition, merger, business combination or other material transaction involving the Company and that such disclosure is not in the best interests of the Company and its stockholders, the Company shall have the right (i) to postpone (or, if necessary or advisable, withdraw) the filing, or delay the effectiveness, of a Registration Statement, (ii) to fail to keep such Registration Statement continuously effective and (iii) not to amend or supplement the Registration Statement or included Prospectus after the effectiveness of the Registration Statement; provided that no one such postponement shall exceed 90 days in any six month period and all such postponements shall not exceed 120 days in the aggregate in any 12 month period. The Company shall advise the Purchasers of any such determination as promptly as practicable.

(c) The Company may include in any registration requested pursuant to Section 2(a) hereof other securities for sale for its own account or for the account of another Person, provided that such inclusion shall not affect the number of Applicable Securities that can be sold in the related offering. In connection with an underwritten offering, if the managing underwriter or underwriters advise the Company in writing that in its or their opinion the number of Applicable Securities requested by Covered Holders to be registered exceeds the number which can be sold in such offering, the Company shall include in such Registration the number of Applicable Securities that, in the opinion of such managing underwriter or underwriters, can be sold as follows: (i) first, the Applicable Securities requested to be registered, pro rata among the Covered Holders that have requested their Applicable Securities to be registered and (ii) second, any other securities requested to be included in such Registration.

(d) The Covered Holders requesting any Registration pursuant to Section 2(a) hereof shall have the right to withdraw such request, without such Registration being deemed to have been effected (and, therefore, requested) for purposes of Section 2(a), (i) prior to the time the Registration Statement in respect of such Registration has been declared effective, (ii) upon the issuance by a governmental agency or the Commission of a stop order, injunction or other order which interferes with such Registration, (iii) upon the Company availing itself of Section 2(b) hereof, or (iv) if such Covered Holders are prevented pursuant to Section 2(c) hereof from selling all of the Applicable Securities they requested to be registered. Notwithstanding the foregoing, the Registration requested by such Covered Holders shall be deemed to have been effected (and, therefore, requested) for purposes of Section 2(a) hereof if the Covered Holders withdraw any Registration request pursuant to Section 2(a) hereof (i) after the Commission filing fee is paid in full with respect to all Applicable Securities requested to be registered or (ii) as a result of the provisions of Section 2(c) hereof in circumstances where at least 75% of the Applicable Securities requested to be included in such Registration by the Covered Holders demanding such Registration have been included, and in each case, (x) the Company has not availed itself of Section 2(b) or Section 7(j) with respect to such Registration request or (y) the Company has availed itself of Section 2(b) or Section 7(j) hereof and the withdrawal request is not made within 10 days after the termination of the suspension period occasioned by the Company's exercise of its rights under Section 2(b) or Section 7(j) hereof. If the Covered Holders withdraw a request pursuant to Section 2(a) but the Company nevertheless determines to complete, within 30 days after such withdrawal, the Registration so requested as to securities other than the Applicable Securities, such Covered Holders shall be entitled to participate in such Registration pursuant to Section 3 hereof, but in such case the Intended Offering Notice (as defined in Section 3) shall be required to be given to the Covered Holders at least 10 business days prior to the anticipated filing date of the registration statement and such Covered Holders shall be required to give the Piggy-back Notice no later than 5 business days after the Company's delivery of such Intended Offering Notice.

(e) In the event that any Registration pursuant to this Section 2 shall involve, in whole or in part, an underwritten offering, one co-lead managing underwriter shall be selected by the Company and shall be reasonably acceptable to the Covered Holders participating therein, and the other co-lead managing underwriter shall be selected by the Covered Holders participating therein and shall be reasonably acceptable to the Company.

3. PIGGY-BACK REGISTRATION. (a) If at any time the Company intends to file on its behalf or on behalf of any of its stockholders (including Covered Holders with respect to Registrable Secu-

rities) a registration statement in connection with a public offering of any securities of the Company on a form and in a manner that would permit the registration for offer and sale under the Securities Act of Registrable Securities of the same class held by such Covered Holder, other than a registration statement on Form S-8 or Form S-4 or any successor form or other forms promulgated for similar purposes, then the Company shall give written notice (an "Intended Offering Notice") of such intention to each Covered Holder at least 30 business days prior to the anticipated filing date of such registration statement. Such Intended Offering Notice shall offer to include in such registration statement for offer to the public such number or amount of Registrable Securities as each such Covered Holder may request, subject to the conditions set forth herein, and shall specify, to the extent then known, the number and class of securities proposed to be registered, the proposed date of filing of such registration statement, any proposed means of distribution of such securities, any proposed managing underwriter or underwriters of such securities and (if available or as soon as available) a good faith estimate (which may be a range) by the Company of the proposed maximum offering price of such securities, as such price is proposed to appear on the facing page of such registration statement. Any Covered Holder desiring to have Registrable Securities included in such registration statement and offered to the public shall so advise the Company in writing (the written notice of any such Covered Holder being a "Piggy-back Notice") not later than 10 business days after the Company's delivery to the Covered Holders of the Intended Offering Notice, setting forth the number of Registrable Securities such Covered Holder desires to have included in the registration statement and offered to the public. Upon the request of the Company, such Covered Holders shall enter into such underwriting, custody and other agreements as shall be customary in connection with registered secondary offerings or necessary or appropriate in connection with the offering. No Covered Holder shall be entitled to be named as a selling stockholder in the Registration Statement or to use the Prospectus forming a part thereof for sales of Registrable Securities unless such Covered Holder is an Electing Holder.

(b) No Covered Holder shall be entitled to be named as a selling stockholder in the Registration Statement as of the Effective Time, and no Covered Holder shall be entitled to use the Prospectus forming a part thereof for sales of Registrable Securities at any time, unless such Covered Holder has returned a completed and signed Notice and Questionnaire to the Company at least two business days before the anticipated filing date specified in the Intended Offering Notice.

(c) In connection with an underwritten offering, if the managing underwriter or underwriters advise the Company in writing that in its or their opinion the number of securities proposed to be registered exceeds the number that can be sold in such offering, the Company shall include in such Registration the number of securities that, in the opinion of such managing underwriter or underwriters, can be sold as follows: (i) first, the securities that the Company proposes to sell on its behalf or, if the offering is a demand registration the securities proposed to be sold for the stockholder or stockholders initiating such demand registration, as the case may be, (ii) second, the Applicable Securities requested to be included in such Registration, pro rata among the Electing Holders who are Covered Holders which have requested their Applicable Securities to be included therein, and (iii) third, other securities requested to be included in such Registration.

(d) The rights of the Covered Holders pursuant to Section 2 hereof and this Section 3 are cumulative, and the exercise of rights under one such Section shall not exclude the subsequent exercise of rights under the other such Section. Notwithstanding anything herein to the contrary, the Company may abandon and/or withdraw any registration (other than pursuant to Section 2 hereof) as to which any right under this Section 3 may exist at any time and for any reason without liability hereunder. In such event, the Company shall so notify each Covered Holder that has delivered a Piggy-back Notice to participate therein.

4. REGISTRATION PROCEDURES. In connection with a Registration Statement, the following provisions shall apply:

(a) The Company shall furnish to each Electing Holder, prior to the Effective Time, a copy of the Registration Statement initially filed with the Commission, and shall furnish to such Electing Holders copies of each amendment thereto and each amendment or supplement, if any, to the Prospectus included therein.

(b) In respect of a Registration Statement under Section 2 (and not Section 3), the Company shall use reasonable efforts to promptly take such action as may be reasonably necessary so that (i) each of the Registration Statement and any amendment thereto and the Prospectus forming part thereof and any amendment or supplement thereto (and each report or other document incorporated therein by reference in each case), when it becomes effective, complies in all material respects with the Securities Act and the Exchange Act and the respective rules and regulations thereunder, (ii) each of the Registration Statement and any amendment thereto does not, when it becomes effective, contain an untrue statement of a material fact or omit to state a material fact required to be stated therein or necessary to make the statements therein not misleading and (iii) each of the Prospectus forming part of the Registration Statement, and any amendment or supplement to such Prospectus, does not at any time during the period during which the Company is required to keep a Registration Statement continuously effective under Section 2(a) include an untrue statement of a material fact or omit to state a material fact necessary in order to make the statements therein, in the light of the circumstances under which they were made, not misleading.

Notwithstanding the forgoing provisions of this Section 4(b), the Company shall notify each Electing Holder at any time after effectiveness of a Registration Statement (when a Prospectus relating thereto is required to be delivered under the Securities Act) of the happening of any event or other circumstance as the result of which (i) the Prospectus included in such Registration Statement, as then in effect, would include an untrue statement of a material fact or omit to state any material fact required to be stated therein or necessary to make the statements therein not misleading in light of the circumstances then existing, or (ii) the continued effectiveness of such Registration Statement or a subsequent Registration Statement, and the use of such Prospectus, would otherwise have a material and adverse effect on any proposed or pending material acquisition, merger, business combination or other material transaction involving the Company, and, upon receipt of such notice and until the Company makes available to each Electing Holder a supplemented or amended Prospectus, each Electing Holder shall not offer or sell any Registrable Securities pursuant to such Registration Statement and shall (at the Company's expense) return all copies of such Prospectus to the Company if requested to do so by it. As promptly as practicable following any such occurrence, the Company shall prepare and furnish to each Electing Holder a reasonable number of copies of a supplement or an amendment

to such Prospectus as may be necessary so that, as thereafter delivered to subsequent purchasers of the Registrable Securities, such Prospectus shall meet the requirements of the Securities Act and relevant state securities laws; provided that the Company's obligations under and actions pursuant to this paragraph shall be subject to the provisions, including time limits, of Section 2(b).

(c) The Company shall, promptly upon learning thereof, advise each Electing Holder, and shall confirm such advice in writing if so requested by any such Electing Holder:

(i) when the Registration Statement and any amendment thereto has been filed with the Commission and when the Registration Statement or any post-effective amendment thereto has become effective;

(ii) of any request by the Commission for amendments or supplements to the Registration Statement or the Prospectus included therein or for additional information;

(iii) of the issuance by the Commission of any stop order suspending the effectiveness of the Registration Statement or the initiation of any proceedings for such purpose;

(iv) of the receipt by the Company of any notification with respect to the suspension of the qualification of the securities included in the Registration Statement for sale in any jurisdiction or the initiation of any proceeding for such purpose; and

(v) of the happening of any event or the existence of any state of facts that requires the making of any changes in the Registration Statement or the Prospectus included therein so that, as of such date, such Registration Statement and Prospectus do not contain an untrue statement of a material fact and do not omit to state a material fact required to be stated therein or necessary to make the statements therein (in the case of the Prospectus, in light of the circumstances under which they were made) not misleading (which advice shall be accompanied by an instruction to such Electing Holders to suspend the use of the Prospectus until the requisite changes have been made).

(d) The Company shall use reasonable efforts to prevent the issuance, and if issued to obtain the withdrawal, of any order suspending the effectiveness of the Registration Statement at the earliest possible time.

(e) The Company shall furnish to each Electing Holder, without charge, at least one copy of the Registration Statement and all post-effective amendments thereto, including financial statements and schedules, and, if such holder so requests in writing, all reports, other documents and exhibits that are filed with or incorporated by reference in the Registration Statement.

(f) The Company shall, during the period during which the Company is required to keep a Registration Statement continuously effective under Section

2(a) or elects to keep effective under Section 3(a), deliver to each Electing Holder, without charge, as many copies of the Prospectus (including each preliminary Prospectus) included in the Registration Statement and any amendment or supplement thereto as such Electing Holder may reasonably request; and the Company consents (except during the continuance of any event described in Section 2(b)

or Section 4(c)(v) hereof) to the use of the Prospectus, with any amendment or supplement thereto, by each of the Electing Holders in connection with the offering and sale of the Applicable Securities covered by the Prospectus and any amendment or supplement thereto during such period.

(g) Prior to any offering of Applicable Securities pursuant to the Registration Statement, the Company shall use all reasonable efforts to (i) register or qualify or cooperate with the Electing Holders and their respective counsel in connection with the registration or qualification of such Applicable Securities for offer and sale under the securities or "blue sky" laws of such jurisdictions within the United States as any Electing Holder may reasonably request, (ii) keep such registrations or qualifications in effect and comply with such laws so as to permit the continuance of offers and sales in such jurisdictions for the period during which the Company is required to keep a Registration Statement continuously effective under Section 2(a) and (iii) take any and all other actions reasonably requested by an Electing Holder which are necessary or advisable to enable the disposition in such jurisdictions of such Applicable Securities; provided, however, that in no event shall the Company be obligated to (i) qualify as a foreign corporation or as a dealer in securities in any jurisdiction where it would not otherwise be required to so qualify but for this Agreement or (ii) file any general consent to service of process or subject itself to tax in any jurisdiction where it is not so subject.

(h) The Company shall cooperate with the Electing Holders to facilitate the timely preparation and delivery of certificates representing Applicable Securities to be sold pursuant to the Registration Statement, which certificates shall comply with the requirements of any United States securities exchange or automated quotation system upon which any Applicable Securities are listed or quoted (provided that nothing herein shall require the Company to list any Registrable Securities on any securities exchange or automated quotation system on which they are not currently listed), and which certificates shall be free of any restrictive legends and in such permitted denominations and registered in such names as Electing Holders may request in connection with the sale of Applicable Securities pursuant to the Registration Statement.

(i) Not later than the Effective Time of the Registration Statement, the Company shall use reasonable efforts to provide any required CUSIP number for any Applicable Securities.

(j) The Company shall, in the event of an underwriting of Applicable Securities, enter into indemnification provisions and procedures substantially identical to those set forth in Section 6 hereof with respect to all parties to be indemnified pursuant to Section 6 hereof, provided that the applicable Electing Holders do the same.

(k) The Company shall use reasonable efforts to:

(i) cooperate with the Electing Holders and their advisors in their efforts to conduct appropriate due diligence as is customary for a company of the size and character of the Company and make such reasonable representations and warranties in the applicable underwriting agreement to the Underwriters, in form, substance and scope as are customarily made by the Company to underwriters in underwritten offerings of equity and/or convertible securities, as applicable;

(ii) in connection with any underwritten offering, obtain opinions of counsel to the Company (which counsel and opinions (in form, scope and substance) shall be reasonably satisfactory to the Underwriters) addressed to the Underwriters, covering such matters that the Company customarily covers in opinions requested in secondary underwritten offerings of equity and/or convertible securities, as applicable, to the extent reasonably required by the applicable underwriting agreement;

(iii) in connection with any underwritten offering, obtain "cold comfort" letters and updates thereof from the independent public accountants of the Company (and, if necessary, from the independent public accountants of any Subsidiary (as defined in the Purchase Agreement) of the Company or of any business acquired by the Company for which financial statements and financial data are, or are required to be, included in the Registration Statement), addressed to each Electing Holder participating in such underwritten offering (if such Electing Holder has provided such letter, representations or documentation, if any, required for such cold comfort letter to be so addressed) and the Underwriters, in customary form and covering matters of the type customarily covered in "cold comfort" letters in connection with underwritten offerings of Company securities; and

(iv) in connection with any underwritten offering, deliver such documents and certificates as may be reasonably requested by any Electing Holders participating in such underwritten offering and the Underwriters, if any, including, without limitation, certificates to evidence compliance with any conditions contained in the underwriting agreement or other agreements entered into by the Company.

(l) In respect of a Registration Statement under Section 2 (and not Section 3), the Company shall use reasonable efforts to take all other steps reasonably necessary to effect the timely registration, offering and sale of the Applicable Securities covered by the Registration Statements contemplated hereby.

5. REGISTRATION EXPENSES. The Company shall bear the Registration Expenses in connection with the performance of its obligations under Sections 2, 3 and 4 hereof.

6. INDEMNIFICATION AND CONTRIBUTION. (a) Upon the Registration of Applicable Securities pursuant to Section 2 or 3 hereof, the Company shall indemnify and hold harmless each Electing Holder and each Underwriter, selling agent or other securities professional, if any, which facilitates the disposition of Applicable Securities, and each of their respective officers, directors, employees and agents and each person who controls such Electing Holder, Underwriter, selling agent or other securities professional within the meaning of Section 15 of the Securities Act or Section 20 of the Exchange Act (each such person being sometimes referred to as an "Indemnified Person") against any losses, claims, damages or liabilities, joint or several, to which such Indemnified Person may become subject under the Securities Act or otherwise, insofar as such losses, claims, damages or liabilities (or actions in respect thereof) arise out of or are based upon an untrue statement or alleged untrue statement of a material fact contained in any Registration Statement under which such Applicable Securities are to be registered under the Securities Act, or any Prospectus contained therein or furnished by the Company to any Indemnified Person, or any amendment or supplement thereto, or arise out of or are based upon the omission or alleged

omission to state therein a material fact required to be stated therein or necessary to make the statements therein not misleading, and the Company hereby agrees to reimburse such Indemnified Person for any legal or other expenses reasonably incurred by them in connection with investigating or defending any such action or claim as such expenses are incurred; provided, however, that the Company shall not be liable to any such Indemnified Person in any such case to the extent that any such loss, claim, damage or liability arises out of or is based upon an untrue statement or alleged untrue statement or omission or alleged omission made in such Registration Statement or Prospectus, or amendment or supplement, in reliance upon and in conformity with written information furnished to the Company by such Indemnified Person expressly for use therein. Such indemnity shall remain in full force and effect regardless of any investigation made by or on behalf of the Company or any of the prospective sellers, or any of their respective Affiliates, directors, officers, employees, agents or controlling Persons and shall survive the transfer of securities by any Electing Holder.

(b) Each Electing Holder agrees, as a consequence of the inclusion of any of such Holder's Applicable Securities in such Registration Statement, and each Underwriter, selling agent or other securities professional, if any, which facilitates the disposition of Applicable Securities shall agree, as a consequence of facilitating such disposition of Applicable Securities, severally and not jointly, to indemnify and hold harmless the Company, its directors and officers and each person, if any, who controls the Company within the meaning of either Section 15 of the Securities Act or Section 20 of the Exchange Act, against any losses, claims, damages or liabilities to which the Company or such other persons may become subject, under the Securities Act or otherwise, insofar as such losses, claims, damages or liabilities (or actions in respect thereof) arise out of or are based upon an untrue statement or alleged untrue statement of a material fact contained in such Registration Statement or Prospectus, or any amendment or supplement, or arise out of or are based upon the omission or alleged omission to state therein a material fact required to be stated therein or necessary to make the statements therein not misleading, in each case to the extent, but only to the extent, that such untrue statement or alleged untrue statement or omission or alleged omission was made in reliance upon and in conformity with written information furnished to the Company by such Holder, Underwriter, selling agent or other securities professional expressly for use therein. Such indemnity shall remain in full force and effect regardless of any investigation made by or on behalf of the Company, the underwriters or any of the prospective sellers, or any of their respective Affiliates, directors, officers or controlling Persons and shall survive the transfer of securities by any Electing Holder. In no event shall the liability of any Electing Holder hereunder be greater in amount than the dollar amount of the proceeds received by that Electing Holder upon the sale of the Registrable Securities giving rise to the indemnification obligation.

(c) Promptly after receipt by any Person entitled to indemnity (an "Indemnitee") under Section 6(a) or (b) hereof of notice of the commencement of any action or claim, such Indemnitee shall, if a claim in respect thereof is to be made against an indemnifying party under this Section 6 (an "Indemnitor"), notify such Indemnitor in writing of the commencement thereof, but the omission so to notify the Indemnitor shall not relieve it from any liability which it may have to any Indemnitee except to the extent of any actual prejudice. In case any such action shall be brought against any Indemnitee and the Indemnitee shall notify an Indemnitor of the commencement thereof, such Indemnitor shall be entitled to participate therein and, jointly with any other Indemnitor similarly notified, to assume the defense thereof, with counsel satisfactory

to such Indemnitee, and, after notice from the Indemnitor to such Indemnitee of its election so to assume the defense thereof, such Indemnitor shall not be liable to such Indemnitee under this Section 6 for any legal expenses of other counsel or any other expenses, in each case subsequently incurred by such Indemnitee, in connection with the defense thereof. No Indemnitor shall, without the prior written consent of the Indemnitee, effect the settlement or compromise of, or consent to the entry of any judgment with respect to, any pending or threatened action or claim in respect of which indemnification or contribution may be sought hereunder (whether or not the Indemnitee is an actual or potential party to such action or claim) unless such settlement, compromise or judgment

(i) includes an unconditional release of the Indemnitee from all liability arising out of such action or claim and (ii) does not include a statement as to, or an admission of, fault, culpability or a failure to act, by or on behalf of any Indemnitee.

(d) If the indemnification provided for in this Section 6 is unavailable to or insufficient to hold harmless an Indemnitee under Section 6(a) or (b) hereof in respect of any losses, claims, damages or liabilities (or actions in respect thereof) referred to therein, then each Indemnitor, in lieu of indemnifying the Indemnitee, shall contribute to the amount paid or payable by such Indemnitee as a result of such losses, claims, damages or liabilities (or actions in respect thereof) in such proportion as is appropriate to reflect the relative fault of the Indemnitor and the Indemnitee in connection with the statements or omissions which resulted in such losses, claims, damages or liabilities (or actions in respect thereof), as well as any other relevant equitable considerations. The relative fault of such Indemnitor and Indemnitee shall be determined by reference to, among other things, whether the untrue or alleged untrue statement of a material fact or omission or alleged omission to state a material fact relates to information supplied by such Indemnitor or by such Indemnitee, and the parties' relative intent, knowledge, access to information and opportunity to correct or prevent such statement or omission. The parties hereto agree that it would not be just and equitable if contribution pursuant to this Section 6(d) were determined solely by pro rata allocation (even if the Electing Holders or any Underwriters, selling agents or other securities professionals or all of them were treated as one entity for such purpose) or by any other method of allocation which does not take account of the equitable considerations referred to in this Section 6(d). The amount paid or payable by an Indemnitee as a result of the losses, claims, damages or liabilities (or actions in respect thereof) referred to above shall be deemed to include any legal or other fees or expenses reasonably incurred by such Indemnitee in connection with investigating or defending any such action or claim. No person guilty of fraudulent misrepresentation (within the meaning of Section 11(f) of the Securities Act) shall be entitled to contribution from any person who was not guilty of such fraudulent misrepresentation. The obligations of the Electing Holders and any Underwriters, selling agents or other securities professionals in this Section 6(d) to contribute shall be several in proportion to the percentage of principal amount of Applicable Securities registered or underwritten, as the case may be, by them and not joint and shall be subject to the limitations set forth in the last sentence of Section 6(b).

(e) The obligations of the Company under this Section 6 shall be in addition to any liability which the Company may otherwise have to any Indemnitee and the obligations of any Indemnified Person under this Section 6 shall be in addition to any liability which such Indemnified Person may otherwise have to the Company. The remedies provided in this Section 6 are not exclusive and shall not limit any rights or remedies that may otherwise be available to an Indemnitee at law or in equity.

7. MISCELLANEOUS. (a) This Agreement, including this Section 7(a), may be amended, and waivers or consents to departures from the provisions hereof may be given, only by a written instrument duly executed, (x) in the case of an amendment, by the Company and (i) the Covered Holders representing a majority of Registrable Securities at the time outstanding (who shall be deemed to be acting for themselves and as agents for each Covered Holder), and (ii) any Covered Holder on whom such amendment would have an adverse effect materially disproportionate to the Covered Holders in general, or (y) in the case of a waiver or consent, by the party against whom the waiver or consent, as the case may be, is to be effective. Each Holder of Registrable Securities outstanding at the time of any such amendment, waiver or consent or thereafter shall be bound by any amendment, waiver or consent effected pursuant to this Section 7(a), whether or not any notice, writing or marking indicating such amendment, waiver or consent appears on the Registrable Securities or is delivered to such holder. Further if at any time a Covered Holder no longer holds Registrable Securities, the consent of such Covered Holder shall no longer be required to amend this agreement or to waive or consent to departures from the provisions hereof.

(b) All notices, requests and other communications to any party hereunder shall be in writing (including facsimile transmission) and shall be given as follows:

if to the Company, to:

Strayer Education, Inc.
1025 15th Street, N.W.
Washington, D.C. 20005
Attention: Chief Financial Officer
Telecopy: (301) 470-2265

with a copy to:

Hogan & Hartson L.L.P.
111 South Calvert Street
Suite 1600
Baltimore, Maryland 21202-6191
Attention: Walter G. Lohr, Jr.
Telecopy: (410) 539-6981

if to Purchasers or any Covered Holder, to:

New Mountain Partners, L.P.
712 Fifth Avenue, 23rd Floor
New York, New York 10019
Attention: Steve B. Klinsky
Telecopy: (212) 582-1816

and

DB Capital Investors, L.P.
c/o DB Capital Partners, Inc.
One Market Plaza
Steuart Tower, Suite 2400
San Francisco, California 94105
Attention: Steven K. Dollinger
Telecopy: (415) 217-4288

with copies to:

Wachtell, Lipton, Rosen & Katz
51 West 52nd Street
New York, New York 10019
Attention: Trevor S. Norwitz
Telecopy: (212) 403-2000

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(c) The parties to this Agreement intend that all Covered Holders of Registrable Securities shall be entitled to receive the benefits of and shall be bound by the terms and provisions of this Agreement by reason of electing to have Applicable Securities included in a Registration Statement. Except as provided herein respecting Covered Holders, the terms and provisions of this Agreement shall not be assignable or transferable and there shall be no third-party beneficiaries hereto. All the terms and provisions of this Agreement shall be binding upon, shall inure to the benefit of and shall be enforceable by the respective legal successors and permitted assigns of the parties hereto and any Covered Holder.

(d) This Agreement may be executed in any number of counterparts and by the parties hereto in separate counterparts, each of which when so executed shall be deemed to be an original and all of which taken together shall constitute one and the same agreement.

(e) The headings in this Agreement are for convenience of reference only and shall not limit or otherwise affect the meaning hereof.

(f) THIS AGREEMENT SHALL BE GOVERNED BY AND CONSTRUED IN ACCORDANCE WITH THE LAWS OF THE STATE OF MARYLAND, WITHOUT GIVING EFFECT TO ANY PROVISIONS RELATING TO CONFLICTS OF LAWS.

(g) The provisions of this Agreement shall be deemed severable and the invalidity or unenforceability of any provision shall not affect the validity or enforceability of the other provisions hereof. If any provision of this Agreement, or the application thereof to any Person or entity or any circumstance, is invalid or unenforceable, (i) a suitable and equitable provision shall be substituted therefor in order to carry out, so far as may be valid and enforceable, such provision and (ii) the remainder of this Agreement and the application of such provision to other Persons, entities or circumstances shall not be affected by such invalidity or unenforceability, nor shall such invalidity or unenforceability affect the validity or enforceability of such provision, or the application thereof, in any other jurisdiction.

(h) The respective indemnities, agreements, representations, warranties and other provisions set forth in this Agreement or made pursuant hereto shall remain in full force and effect, regardless of any investigation (or any statement as to the results thereof) made by or on behalf of any Electing Holder, any director, officer or partner of such Electing Holder, any agent or Underwriter, any director, officer or partner of such agent or Underwriter, or any controlling person of any of the foregoing, and shall survive the transfer and registration of the Applicable Securities of such Holder.

(i) Each Covered Holder and Electing Holder shall cooperate with respect to any Registration effected under this Agreement and shall provide such information, documents, and instruments as may be reasonably requested in connection therewith.

(j) Each Covered and Electing Holder agrees, if so requested by the managing underwriter in any underwritten offering of the Company's securities (based on the negative impact that the inclusion of such Covered and Electing Holder's Registrable Securities would have on the pricing of such offering), not to effect any public sale or public distribution of Registrable Securities during the 30 days prior to and the 60 days after any registration statement for any underwritten offering of the Company's securities (either for its own account or for the benefit of the holders of any securities of the Company) has become effective (or such period of time shorter than 90 days that is sufficient and appropriate, in the opinion of the managing underwriter, in order to complete the sale and distribution of securities included in such registration).

(k) The obligations of the Company hereunder shall terminate upon the earlier of (i) 10 years from the date hereof and (ii) the date upon which there ceases to be any Registrable Securities outstanding.

(l) The Company shall have no liability to any Covered Holder for any actions taken or omitted on the basis of actions of the Purchasers as agents for the Covered Holders.

(m) The Company shall use reasonable efforts to timely file all reports required to be filed with respect to the Company under Section 13 or Section 15(d) of the Exchange Act for so long as the Company has obligations hereunder.

IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be executed by their respective authorized officers as of the day and year first above written.

NEW MOUNTAIN PARTNERS, L.P.

By: New Mountain Investments, L.P., its
general partner

By: New Mountain GP, LLC, its
general partner

By: /s/ Steven B. Klinsky

Name: Steven B. Klinsky
Title: Member

DB CAPITAL INVESTORS, L.P.

By: DB Capital Partners, L.P., its
general partner

By: DB Capital Partners, Inc., its
general partner

By: /s/ Steven Dollinger

Name: Steven Dollinger
Title: Director

STRAYER EDUCATION, INC.

By: /s/ Robert S. Silberman

Name: Robert S. Silberman
Title: President and Chief Executive
Officer

Exhibit A

Strayer Education, Inc.

Notice of Registration Statement
and
Selling Stockholder Questionnaire

(Date)

Reference is hereby made to the Registration Rights Agreement (the "Registration Rights Agreement") between Strayer Education, Inc. (the "Company") and the Purchasers named therein. Pursuant to the Registration Rights Agreement, the Company [has filed] with the United States Securities and Exchange Commission (the "Commission") a registration statement on Form _____ (the "Registration Statement") for the registration and resale under the Securities Act of 1933, as amended (the "Securities Act"), of the Company's [Title of Securities] (the "Securities"). All capitalized terms not otherwise defined herein shall have the meanings ascribed thereto in the Registration Rights Agreement.

Each Holder of Registrable Securities is entitled to have the Registrable Securities owned by it included in the Registration Statement. In order to have Registrable Securities included in the Registration Statement, this Notice of Registration Statement and Selling Stockholder Questionnaire ("Notice and Questionnaire") must be completed, executed and delivered to the Company's counsel at the address set forth herein for receipt ON OR BEFORE [DEADLINE FOR RESPONSE]. Holders of Registrable Securities who do not complete, execute and return this Notice and Questionnaire by such date (i) will not be named as selling stockholders in the Registration Statement and (ii) may not use the Prospectus forming a part thereof for resales of Registrable Securities.

Certain legal consequences arise from being named as a selling stockholder in the Registration Statement and related Prospectus. Accordingly, Holders of Registrable Securities are advised to consult their own securities law counsel regarding the consequences of being named or not being named as a selling stockholder in the Registration Statement and related Prospectus.

ELECTION

The undersigned Holder (the "Selling Stockholder") of Registrable Securities hereby elects to include in the Registration Statement the Registrable Securities beneficially owned by it and listed below in Item (3). The undersigned, by signing and returning this Notice and Questionnaire, agrees to be bound with respect to such Registrable Securities by the terms and conditions of this Notice and Questionnaire and the Registration Rights Agreement, including, without limitation, Section 6 of the Registration Rights Agreement, as if the undersigned Selling Stockholder were an original party thereto.

Upon any sale of Registrable Securities pursuant to the Registration Statement, the Selling Stockholder will be required to deliver to the Company the Notice of Transfer set forth in Appendix A to the Prospectus.

The Selling Stockholder hereby provides the following information to the Company and represents and warrants that such information is accurate and complete:

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QUESTIONNAIRE

(1) (a) Full Legal Name of Selling Stockholder:

(b) Full Legal Name of Registered Holder (if not the same as in (a) above) of Registrable Securities Listed in (3) below:

(2) Address for Notices to Selling Stockholder:

Telephone:

Fax:

Contact Person:

(3) Except as set forth below in this Item (3), the undersigned does not beneficially own any Securities or Common Stock.

(a) Principal amount or number of Registrable Securities (as defined in the Registration Rights Agreement) beneficially owned: ____

(b) Principal amount or number of Registrable Securities which the undersigned wishes to be included in the Registration Statement: ____

(4) Beneficial Ownership of Other Securities of the Company:

Except as set forth below in this Item (4), the undersigned Selling Stockholder is not the beneficial or registered owner of any shares of Common Stock or any other securities of the Company, other than the Securities and shares of Common Stock listed above in Item (3).

State any exceptions here:

(5) Relationships with the Company:

Except as set forth below, neither the Selling Stockholder nor any of its affiliates, officers, directors or principal equity holders (5% or more) has held any position or office or has had any other material relationship with the Company (or its predecessors or affiliates) during the past three years.

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State any exceptions here:

(6) Plan of Distribution:

Except as set forth below, the undersigned Selling Stockholder intends to distribute the Registrable Securities listed above in Item (3) only as follows (if at all): Such Registrable Securities may be sold from time to time directly by the undersigned Selling Stockholder or, alternatively, through underwriters, broker-dealers or agents. Such Registrable Securities may be sold in one or more transactions at fixed prices, at prevailing market prices at the time of sale, at varying prices determined at the time of sale, or at negotiated prices. Such sales may be effected in transactions (which may involve crosses or block transactions) (i) on any national securities exchange or quotation service on which the Registered Securities may be listed or quoted at the time of sale, (ii) in the over-the-counter market, (iii) in transactions otherwise than on such exchanges or services or in the over-the-counter market, or (iv) through the writing of options. In connection with sales of the Registrable Securities or otherwise, the Selling Stockholder may enter into hedging transactions with broker-dealers, which may in turn engage in short sales of the Registrable Securities in the course of hedging the positions they assume. The Selling Stockholder may also sell Registrable Securities short and deliver Registrable Securities to close out such short positions, or loan or pledge Registrable Securities to broker-dealers that in turn may sell such securities.

State any exceptions here:

By signing below, the Selling Stockholder acknowledges that it understands its obligation to comply, and agrees that it will comply, with the provisions of the Exchange Act and the rules and regulations thereunder, particularly Regulation M.

In the event that the Selling Stockholder transfers all or any portion of the Registrable Securities listed in Item (3) above after the date on which such information is provided to the Company, the Selling Stockholder agrees to notify the transferee(s) at the time of the transfer of its rights and obligations under this Notice and Questionnaire and the Registration Rights Agreement.

By signing below, the Selling Stockholder consents to the disclosure of the information contained herein in its answers to Items (1) through (6) above and the inclusion of such information in the Registration Statement and related Prospectus. The Selling Stockholder understands that such information will be relied upon by the Company in connection with the preparation of the Registration Statement and related Prospectus.

In accordance with the Selling Stockholder's obligation under Section 4 of the Registration Rights Agreement to provide such information as may be required by law for inclusion in the Registration Statement, the Selling Stockholder agrees to promptly notify the Company of any inaccuracies or changes in the information provided herein which may occur subsequent to the date hereof at any time while the Registration Statement remains in effect. All notices hereunder and pursuant to the Registration Rights Agreement shall be made in writing by hand-delivery, first-class mail, or air courier guaranteeing overnight delivery as follows:

(i) To the Company:

Strayer Education, Inc.

1025 15th Street, N.W.
Washington, DC 20005
Attn: Chief Financial Officer
Telecopy: (301) 470-2265

(ii) With a copy to:

Hogan & Hartson L.L.P.

111 South Calvert Street
Suite 1600
Baltimore, Maryland 21202-6191
Attention: Walter G. Lohr, Jr.
Telecopy: (410) 539-6981

Once this Notice and Questionnaire is executed by the Selling Stockholder and received by the Company's counsel, the terms of this Notice and Questionnaire, and the representations and warranties contained herein, shall be binding on, shall inure to the benefit of and shall be enforceable by the respective successors, heirs, personal representatives, and assigns of the Company and the Selling Stockholder (with respect to the Registrable Securities beneficially owned by such Selling Stockholder and listed in Item (3) above). This Agreement shall be governed in all respects by the laws of the State of Maryland.

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IN WITNESS WHEREOF, the undersigned, by authority duly given, has caused this Notice and Questionnaire to be executed and delivered either in person or by its duly authorized agent.

Dated:

Selling Stockholder

By:
Name:
Title:

PLEASE RETURN THE COMPLETED AND EXECUTED NOTICE AND QUESTIONNAIRE FOR RECEIPT ON OR BEFORE [DEADLINE FOR RESPONSE] TO THE COMPANY'S COUNSEL AT:

Hogan & Hartson L.L.P.
111 South Calvert Street
Suite 1600
Baltimore, Maryland 21202-6191
Attention: Walter G. Lohr, Jr.
Telecopy: (410) 539-6981

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EMPLOYMENT AGREEMENT

THIS EMPLOYMENT AGREEMENT (this "Agreement") is made and entered into as of April 6, 2001, by and between STRAYER EDUCATION, INC., a Maryland corporation (the "Company"), and ROBERT S. SILBERMAN (the "Executive").

WHEREAS, the Company believes that it would benefit from the application of the Executive's skill, experience and background to the management and operation of the Company, and that the Executive will make major contributions to the short- and long-term profitability, growth and financial strength of the Company; and

WHEREAS, the Company desires to employ the Executive and the Executive desires to be employed by the Company; and

WHEREAS, the Company and the Executive desire to set forth in a written agreement the terms and conditions of the Executive's employment with the Company;

NOW, THEREFORE, in consideration of the premises and of the mutual covenants herein contained, it is agreed as follows:

1. Employment. The Company hereby agrees to employ the Executive and the Executive hereby agrees to be employed by the Company upon the terms and conditions set forth herein.
2. Term. The Executive's employment shall be for a term (the "Employment Term") commencing on March 16, 2001 (the "Commencement Date") and, subject to termination under Section 8, expiring on December 31, 2004; provided, however, that commencing on January 1, 2002 and each January 1 thereafter, the Employment Term will automatically be extended for an additional year unless, not later than September 30 of the immediately preceding year, the Company or the Executive shall have given written notice to the other that it or the Executive, as the case may be, does not wish to have the Employment Term extended.
3. Duties of the Executive. The Executive shall serve as the President and Chief Executive Officer of the Company, and as such shall have primary responsibility for the oversight, management and general operation of all of the operations of the Company. The Executive shall report solely to the Company's Board of Directors (the "Board") and shall be assigned only those executive policy and management duties that are consistent with the Executive's position as President and Chief Executive Officer of the Company. The Executive shall devote substantially all of his working time and his best efforts, full attention and energies to the business of the Company, the responsibilities provided for the President and Chief Executive Officer in the Company's Bylaws, and such other related duties and responsibilities as may from time to time be reasonably prescribed by the Board; provided, however, that it shall not be a violation of this Agreement for Executive to (a) devote reasonable periods of time to

charitable and community activities (other than serving on boards of directors, trustees or similar governing bodies of not-for-profit entities ("Not-for-Profit Boards")) and, with the prior written approval of the Board, devote reasonable periods of time to serving on Not-for-Profit Boards and engaging in industry or professional activities (including membership on the board of directors or governing body of other corporations or entities and participation on governmental panels and commissions), and/or (b) manage personal business interests and investments, in each case so long as such activities do not interfere with the performance of Executive's responsibilities under this Agreement. The Company shall include the Executive in the management slate for election as a director at every stockholders' meeting during the Employment Term at which his term as a director would otherwise expire.

4. Compensation.

(a) Base Salary. During the Employment Term, the Company shall pay to the Executive a base salary of not less than \$350,000 per annum (the "Base Salary"). The Board shall review Executive's Base Salary annually (after approval of the forthcoming year's budget and receipt of the prior year's financial statements) and increase it by an amount no less than the increase in the consumer price index for the Washington, D.C. metropolitan area from the immediately preceding year.

(b) Annual Bonus. In addition to the Base Salary, the Executive shall be eligible to receive an annual bonus (the "Bonus") for each fiscal year of the Company that ends during the Employment Term, under a bonus plan for senior executives to be adopted by the Company (the "Plan"), subject to the approval of the Company's shareholders as required for purposes of exemption from the limitations on deductibility imposed by Section 162(m) of the Internal Revenue Code of 1986, as amended (the "Code"), and based upon the achievement of objective performance goals meeting the requirements for such exemption. The Executive's target Bonus under the Plan shall be at least 75% of the Executive's Base Salary for the year involved, provided that the Company achieves the targeted level of performance for the relevant fiscal year. The first Bonus that the Executive shall be eligible to receive under the Plan shall be for the Company's 2001 fiscal year, and the targeted level of performance required to earn the targeted Bonus amount shall be as agreed by the Compensation Committee or the Executive Committee of the Board, on the one hand, and the Executive, on the other hand.

(c) Stock Options. As of the Commencement Date, the Executive shall be granted options to purchase 350,000 shares of the Company's Common Stock (the "Options") under the Company's 1996 Stock Option Plan. The Options shall be subject to the terms of the Company's 1996 Stock Option Plan and of the stock option agreement which will accompany the grant and will be entered into between the Company and the Executive, provided however that the terms contained in such stock option agreement shall be consistent with the terms of this Agreement. Except as otherwise provided for in this Agreement, the Options shall vest based on the continued employment of the Executive as to 116,666 shares on March 16, 2002, as to an additional 116,667 shares on March 16, 2003 and as to the final 116,667 shares on March 16, 2004; provided, that the Options shall vest in full (to the extent they have not previously vested, terminated or expired) upon the occurrence of a Change of Control. The per-share exercise price of the Options shall equal the fair market value of a share of the Company's Common Stock on April 6, 2001. The Options shall have a seven-year term from the date of grant, except as

otherwise provided in this Agreement. The Options shall not be considered "incentive stock options", as such term is defined in Section 422 of the Code.

5. Executive Benefits.

(a) General. In addition to the compensation described in Section 4, during the Employment Term, the Company shall make available to the Executive, on the most favorable terms and conditions available to executive and management employees of the Company, (i) all Company-sponsored employee benefit plans or arrangements and such other usual and customary benefits now or hereafter generally available to employees of the Company, and (ii) such benefits and perquisites as may be made available to senior executives of the Company as a group, including, without limitation, equity and cash incentive programs, director and officer insurance which includes coverage for service on other boards of directors at the request of the Company, governmental panels, etc., vacations, and retirement, deferred compensation and welfare plans. The intention of the parties is to coordinate the Executive's coverage under the Company's medical benefit plans and his current COBRA benefits to ensure that no gap in coverage occurs because of pre-existing condition limitations or otherwise.

(b) Relocation.

(i) No later than September 1, 2001, the Executive shall relocate to a residence within 50 miles of the Company's principal executive offices, currently located in the Washington, D.C. metropolitan area.

(ii) The Company shall, on a fully grossed-up basis for tax purposes, reimburse the Executive for the reasonable and documented costs and expenses of moving the Executive's principal household to the Washington, D.C. metropolitan area and temporary housing in the Washington, D.C. metropolitan area before such relocation for up to six months from the Executive's first day of work pursuant to this Agreement.

(c) Attorneys' Fees. The Company shall pay or reimburse the Executive for reasonable attorneys' fees and disbursements incurred by the Executive in connection with the negotiation and execution of this Agreement up to \$17,000.

6. Expenses. The Company shall also pay or reimburse the Executive for reasonable and necessary expenses incurred by the Executive in connection with his duties on behalf of the Company in accordance with the expense policy of the Company applicable to members of senior management of the Company.

7. Place of Performance. In connection with his employment by the Company, unless otherwise agreed by the Executive, the Executive shall be based at the principal executive offices of the Company, except for travel reasonably required for Company business. It is expected that for at least three years from the Commencement Date, the principal executive offices of the Company will be in the Washington, D.C. metropolitan area.

8. Termination.

(a) Termination By the Company. The Executive's employment hereunder and the Employment Term may be terminated by the Company for any reason by written notice as provided in Section 18. For purposes of this Agreement, the Executive will be treated as having been terminated by the Company if the Executive terminates his employment with the Company under the following circumstances: (i) the Company breaches any material provision of Sections 4, 5, 6 or 7 of this Agreement and fails to cure such breach within thirty (30) calendar days after receiving notice thereof from the Executive; (ii) there occurs a material reduction in the Executive's authority, functions, duties or responsibilities as provided in Section 3 and the Company fails to restore to the Executive such authority, functions, duties or responsibilities within thirty (30) calendar days after receiving notice thereof from the Executive; or (iii) the Executive resigns for any reason, or without reason, during the thirty-day period immediately following the six-month anniversary of the first occurrence of a "Change in Control" of the Company (as defined in Section 11) (a "COC Termination"). In the event of such a termination or any other termination of the Executive's employment by the Company for any reason other than Cause (as defined herein), the Executive shall be entitled to the payments and benefits set forth in Section 9(a).

(b) Termination By the Executive. The Executive may voluntarily terminate his employment and this Agreement at any time by notice to the Company as provided in Section 18. In the event of a termination of the Executive's employment by the Executive during the Employment Term other than pursuant to the second sentence of Section 8(a) or a termination by the Company for Cause (as defined herein) during the Employment Term the Executive shall be entitled to the payments and benefits set forth in Section 9(b).

(c) Termination Due to Death or Disability. In the event of a termination of the Executive's employment during the Employment Term due to death or Disability (as defined herein), the Executive shall be entitled to the payments and benefits set forth in Section 9(c).

9. Compensation and Benefits Upon Termination of Employment.

(a) Termination by Company Without Cause. If the Executive's employment hereunder is terminated by the Company (including within the meaning of the second sentence of Section 8(a)) for any reason other than for Cause (as defined herein) during the Employment Term, the Company shall be obligated to pay to the Executive the following termination payments and make available the following benefits:

(i) Accrued Rights. The Company shall within ten (10) days of the date of termination pay the Executive a lump-sum amount equal to the sum of (A) his earned but unpaid Base Salary through the date of termination, (B) any earned but unpaid Bonus under Section 4(b) above, and (C) any business expenses due to the Executive from the Company as of the date of termination. In addition, the Company shall provide to the Executive all payments, rights and benefits due as of the date of termination under the terms of the Company's employee and fringe benefit plans and programs (other than severance plans or programs) in which the

Executive participated during the Employment Term (together with the lump-sum payment, the "Accrued Rights").

(ii) Severance Payment. The Company shall within thirty (30) days of the date of termination pay the Executive a lump sum payment in an amount equal to (A) three times the Base Salary (at the highest rate in effect for any period prior to the date of termination), plus (B) in the case of a COC Termination only, three times the latest previous Bonus actually paid.

(iii) Medical Benefits. For a period of three (3) years following the date of termination, except as provided in Section 8(f), the Company will arrange to provide the Executive with medical benefits substantially similar to those that the Executive was receiving or entitled to receive immediately prior to the date of termination, provided that if and to the extent that any benefit described in this paragraph is not or cannot be paid or provided under any policy, plan, program or arrangement of the Company or any subsidiary, as the case may be, then the Company will itself pay or provide for the payment to the Executive, his dependents and beneficiaries, of such benefits.

(iv) Stock Options. As of the date of the Executive's termination under this paragraph, any unvested Options then held by the Executive shall immediately terminate and any vested Options held by the Executive shall remain exercisable until the six-month anniversary of the date of termination.

(b) Voluntary Resignation or Termination for Cause. If the Executive's employment hereunder is terminated during the Employment Term because of his voluntary resignation other than as described in the second sentence of Section 8(a) or because the Company has terminated the Executive for Cause, (i) the Company shall have no further obligations to the Executive hereunder, except to pay or provide to the Executive any and all Accrued Rights, (ii) unvested Options shall terminate immediately and be of no further force or effect and

(iii) all vested Options shall terminate and be of no further force or effect

(x) immediately, if the termination is for Cause, or (y) 90 days after the termination, if it is because of voluntary resignation.

(c) Disability; Death. If the Executive's employment hereunder is terminated during the Employment Term by reason of the Executive Disability (as defined herein) or death, the Company shall pay and provide the Executive (or his legal representative or estate) with the following:

(i) Accrued Rights. The Company shall pay and provide to the Executive (or his legal representative or estate) any and all Accrued Rights, including all disability or life insurance benefits as applicable;

(ii) Salary Continuation. The Company shall provide the Executive (or his legal representative or estate) with continued payment of the Executive's then-current Base Salary for a period of 12 months; provided, that such payments shall be reduced (but not below zero) by all amounts payable to the Executive (or

his legal representative, estate, beneficiaries or dependents) under any Company-provided life insurance or disability benefit plans.

(iii) Stock Options. As of the date of the Executive's termination under this paragraph, any unvested Options shall vest and all Options then held by the Executive shall remain exercisable for one year, or if less, the remaining term thereof.

(d) Termination for Cause. For purposes of this Agreement, "Cause" shall mean:

(i) the willful and continued failure by the Executive substantially to perform his duties hereunder (other than any such failure resulting from the Executive's Disability), which failure is not or cannot be cured within ten (10) business days after the Company has given written notice thereof to the Executive specifying in detail the particulars of the acts or omissions deemed to constitute such failure,

(ii) the engaging by the Executive in willful misconduct which is materially injurious to the Company, monetarily or otherwise,

(iii) the Executive's conviction of, or entry of a plea of nolo contendere with respect to, any felony, or

(iv) the Executive's breach of any material provision of this Agreement, if the Executive fails to cure such breach within ten (10) business days after the Company has given written notice thereof to the Executive.

For purposes of this definition, no act, or failure to act, on the Executive's part shall be considered "willful" unless done, or omitted to be done, by the Executive in bad faith and without reasonable belief that the Executive's action or omission was in the best interests of the Company. The Executive shall not be deemed to have been terminated for Cause unless and until the Board finds that the Executive's termination for Cause is justified and has given the Executive written notice of termination, specifying in detail the particulars of the Executive's conduct found by the Board to justify such termination for Cause.

(e) Disability Defined. "Disability" shall mean the Executive's inability to perform the duties of his position with the Company by reason of a medically determined physical or mental impairment which has existed for a continuous period of at least 26 weeks and which, in the judgment of a physician who certifies to such judgment, is expected to be of indefinite duration or to result in imminent death.

(f) No Obligation to Mitigate. The Executive is under no obligation to mitigate damages or the amount of any payment provided for hereunder by seeking other employment or otherwise; provided, however, that the Executive's coverage under the Company's medical benefit plans will terminate when the Executive becomes covered under any employee medical plan made available by another employer. The Executive shall notify the Company within thirty (30) days after the commencement of any such benefits.

10. Certain Additional Payments by the Company.

(a) Anything in this Agreement to the contrary notwithstanding and except as set forth below, in the event it shall be determined that any Payment would be subject to the Excise Tax, then the Executive shall be entitled to receive an additional payment (the "Gross-Up Payment") in an amount such that, after payment by the Executive of all taxes (and any interest or penalties imposed with respect to such taxes), including, without limitation, any income taxes (and any interest and penalties imposed with respect thereto) and Excise Tax imposed upon the Gross-Up Payment, the Executive retains an amount of the Gross-Up Payment equal to the Excise Tax imposed upon the Payments. Notwithstanding the foregoing provisions of this Section 10(a), if it shall be determined that the Executive is entitled to the Gross-Up Payment, but that the Parachute Value of all Payments does not exceed 110% of the Safe Harbor Amount, then no Gross-Up Payment shall be made to the Executive and the amounts payable under this Agreement shall be reduced so that the Parachute Value of all Payments, in the aggregate, equals the Safe Harbor Amount; provided, that if the reduction of the amount payable under this Agreement would not result in a reduction of the Parachute Value of all Payments to the Safe Harbor Amount, no amounts payable under the Agreement shall be reduced pursuant to this Section 10(a), and the Gross-Up Payment shall be made. The reduction of the amounts payable hereunder, if applicable, shall be made by first reducing the payments under Section 9(a)(ii), unless an alternative method of reduction is elected by the Executive, and in any event shall be made in such a manner as to maximize the Value of all Payments actually made to the Executive. For purposes of reducing the Payments to the Safe Harbor Amount, only amounts payable under this Agreement (and no other Payments) shall be reduced.

(b) Subject to the provisions of Section 10(c), all determinations required to be made under this Section 8, including whether and when a Gross-Up Payment is required, the amount of such Gross-Up Payment and the assumptions to be utilized in arriving at such determination, shall be made by PriceWaterhouseCoopers, or such other nationally recognized certified public accounting firm as may be agreed to by the Company and the Executive (the "Accounting Firm"). The Accounting Firm shall provide detailed supporting calculations both to the Company and the Executive within 15 business days of the receipt of notice from the Executive that there has been a Payment or such earlier time as is requested by the Company. All fees and expenses of the Accounting Firm shall be borne solely by the Company. Any determination by the Accounting Firm shall be binding upon the Company and the Executive. As a result of the uncertainty in the application of Section 4999 of the Code at the time of the initial determination by the Accounting Firm hereunder, it is possible that Gross-Up Payments that will not have been made by the Company should have been made (the "Underpayment"), consistent with the calculations required to be made hereunder. In the event the Company exhausts its remedies pursuant to Section 10(c) and the Executive thereafter is required to make a payment of any Excise Tax, the Accounting Firm shall determine the amount of the Underpayment that has occurred and any such Underpayment shall be promptly paid by the Company to or for the benefit of the Executive.

(c) The Executive shall notify the Company in writing of any claim by the Internal Revenue Service that, if successful, would require the payment by the Company of the Gross-Up Payment. Such notification shall be given as soon as practicable, but no later than 10 business days after the Executive is informed in writing of such claim. The Executive shall

apprise the Company of the nature of such claim and the date on which such claim is requested to be paid. The Executive shall not pay such claim prior to the expiration of the 30-day period following the date on which the Executive gives such notice to the Company (or such shorter period ending on the date that any payment of taxes with respect to such claim is due). If the Company notifies the Executive in writing prior to the expiration of such period that the Company desires to contest such claim, the Executive shall:

(i) give the Company any information reasonably requested by the Company relating to such claim,

(ii) take such action in connection with contesting such claim as the Company shall reasonably request in writing from time to time, including, without limitation, accepting legal representation with respect to such claim by an attorney reasonably selected by the Company,

(iii) cooperate with the Company in good faith in order effectively to contest such claim, and

(iv) permit the Company to participate in any proceedings relating to such claim;

provided, however, that the Company shall bear and pay directly all costs and expenses (including additional interest and penalties) incurred in connection with such contest, and shall indemnify and hold the Executive harmless, on an after-tax basis, for any Excise Tax or income tax (including interest and penalties) imposed as a result of such representation and payment of costs and expenses. Without limitation on the foregoing provisions of this Section 10(c), the Company shall control all proceedings taken in connection with such contest, and, at its sole discretion, may pursue or forgo any and all administrative appeals, proceedings, hearings and conferences with the applicable taxing authority in respect of such claim and may, at its sole discretion, either direct the Executive to pay the tax claimed and sue for a refund or contest the claim in any permissible manner, and the Executive agrees to prosecute such contest to a determination before any administrative tribunal, in a court of initial jurisdiction and in one or more appellate courts, as the Company shall determine; provided, however, that, if the Company directs the Executive to pay such claim and sue for a refund, the Company shall advance the amount of such payment to the Executive, on an interest-free basis, and shall indemnify and hold the Executive harmless, on an after-tax basis, from any Excise Tax or income tax (including interest or penalties) imposed with respect to such advance or with respect to any imputed income in connection with such advance; and provided, further, that any extension of the statute of limitations relating to payment of taxes for the taxable year of the Executive with respect to which such contested amount is claimed to be due is limited solely to such contested amount. Furthermore, the Company's control of the contest shall be limited to issues with respect to which the Gross-Up Payment would be payable hereunder, and the Executive shall be entitled to settle or contest, as the case may be, any other issue raised by the Internal Revenue Service or any other taxing authority.

(d) If, after the payment of any Gross-Up Payment or the receipt by the Executive of an amount advanced by the Company pursuant to Section 10(c), the Executive

becomes entitled to receive any refund with respect to such Gross-Up Payment or claim, the Executive shall promptly pay to the Company the amount of such refund (together with any interest paid or credited thereon after taxes applicable thereto). If, after the receipt by the Executive of an amount advanced by the Company pursuant to Section 10(c), a determination is made that the Executive shall not be entitled to any refund with respect to such claim and the Company does not notify the Executive in writing of its intent to contest such denial of refund prior to the expiration of 30 days after such determination, then such advance shall be forgiven and shall not be required to be repaid and the amount of such advance shall offset, to the extent thereof, the amount of Gross-Up Payment required to be paid.

(e) Notwithstanding any other provision of this Section 10, the Company may, in its sole discretion, withhold and pay over to the Internal Revenue Service or any other applicable taxing authority, for the benefit of the Executive, all or any portion of any Gross-Up Payment, and the Executive hereby consents to such withholding.

(f) Definitions. The following terms shall have the following meanings for purposes of this Section 10.

(i) "Excise Tax" shall mean the excise tax imposed by Section 4999 of the Code, together with any interest or penalties imposed with respect to such excise tax.

(ii) "Parachute Value" of a Payment shall mean the present value as of the date of the change of control for purposes of Section 280G of the Code of the portion of such Payment that constitutes a "parachute payment" under Section 280G(b)(2), as determined by the Accounting Firm for purposes of determining whether and to what extent the Excise Tax will apply to such Payment.

(iii) A "Payment" shall mean any payment or distribution in the nature of compensation (within the meaning of Section 280G(b)(2) of the Code) to or for the benefit of the Executive, whether paid or payable pursuant to this Agreement or otherwise.

(iv) The "Safe Harbor Amount" means 2.99 times the Executive's "base amount," within the meaning of Section 280G(b)(3) of the Code.

(v) "Value" of a Payment shall mean the economic present value of a Payment as of the date of the change of control for purposes of Section 280G of the Code, as determined by the Accounting Firm using the discount rate required by Section 280G(d)(4) of the Code.

11. Change in Control. As used herein, a "Change in Control" of the Company shall mean the occurrence of any of the following:

(a) The acquisition by any individual, entity or group (within the meaning of Section 13(d)(3) or 14(d)(2) of the Securities Exchange Act of 1934, as amended (the "Exchange Act")) (a "Person") of beneficial ownership (within the meaning of Rule 13d-3 promulgated under the Exchange Act) of more than 50% of either: (i) the then-

outstanding shares of the Company's Common Stock or (ii) the combined voting power of the then-outstanding voting securities of the Company entitled to vote generally in the election of directors ("Voting Stock"); provided, however, that for purposes of this subsection (a), the following acquisitions shall not constitute a Change in Control:

(1) any acquisition directly from the Company, (2) any acquisition by the Company, (3) any acquisition by any employee benefit plan (or related trust) sponsored or maintained by the Company or any subsidiary of the Company, or (4) any acquisition by any Person pursuant to a transaction which complies with clauses (i), (ii) and (iii) of subsection (c) of this Section 11; or

(b) Individuals who constitute the Board of Directors of the Company as of the date hereof (the "Incumbent Board") cease for any reason (other than death or disability) to constitute at least a majority of the Board; provided, however, that (i) any individual designated as a director by any or all of New Mountain Partners L.P., DB Capital Investors, L.P. and any other person to whom New Mountain Partners L.P. and its affiliates sells or transfers up to 1,346,154 shares of Series A Preferred Stock of the Company (in the aggregate for all such persons) (including their respective affiliates, the "Investors") shall be deemed to be a member of the Incumbent Board, and (ii) any individual becoming a director subsequent to the date hereof whose election, or nomination for election by the Company's shareholders, was approved by a vote of at least a majority of the directors then comprising the Incumbent Board (either by a specific vote or by approval of the proxy statement of the Company in which such person is named as a nominee for director, without objection to such nomination) shall be considered as though such individual were a member of the Incumbent Board, but excluding for this purpose any such individual whose initial assumption of office occurs as a result of an actual or threatened election contest (within the meaning of Rule 14a-11 of the Exchange Act) with respect to the election or removal of directors or other actual or threatened solicitation of proxies or consents by or on behalf of a Person other than the Board or any of the Investors; or

(c) Consummation of a reorganization, merger or consolidation or sale or other disposition of all or substantially all of the assets of the Company with or to any Person other than a person under the control of one or more of the Investors (a "Business Combination"), in each case, unless, following such Business Combination, (i) all or substantially all of the individuals and entities who were the beneficial owners, respectively, of the Common Stock and Voting Stock of the Company immediately prior to such Business Combination beneficially own, directly or indirectly, more than 50% of, respectively, the then-outstanding shares of common stock and the combined voting power of the then-outstanding voting securities entitled to vote generally in the election of directors, as the case may be, of the entity resulting from such Business Combination (including, without limitation, an entity which as a result of such transaction owns the Company or all or substantially all of the Company's assets either directly or through one or more subsidiaries) in substantially the same proportions relative to each other as their ownership, immediately prior to such Business Combination, of the Common Stock and Voting Stock of the Company, as the case may be, (ii) no Person (excluding any entity resulting from such Business Combination or any employee benefit plan (or related trust) sponsored or maintained by the Company or such entity resulting from such Business

Combination) beneficially owns, directly or indirectly, more than 50% of, respectively, the then-outstanding shares of common stock of the entity resulting from such Business Combination, or the combined voting power of the then-outstanding voting securities of such corporation except to the extent that such ownership existed prior to the Business Combination and (iii) at least a majority of the members of the board of directors of the corporation resulting from such Business Combination were members of the Incumbent Board at the time of the execution of the initial agreement, or of the action of the Board providing for such Business Combination; or

(d) Approval by the shareholders of the Company of a complete liquidation or dissolution of the Company.

12. Confidentiality Agreement.

(a) The Executive acknowledges that, in the course of his employment by the Company, he will or may have access to and become informed of confidential or proprietary information which is a competitive asset of the Company ("Confidential Information"), including, without limitation, (i) the terms of any agreement between the Company and any employee, customer or supplier, (ii) pricing strategy, (iii) merchandising and marketing methods, (iv) product or course development ideas and strategies, (v) university and Company personnel training and development programs, (vi) financial results, (vii) strategic plans and demographic analyses, (viii) proprietary computer and systems software, and (ix) any non-public information concerning the Company, its employees, suppliers or customers. The Executive agrees that he will keep all Confidential Information in strict confidence during his employment by the Company and thereafter, and will never directly or indirectly make known, divulge, reveal, furnish, make available, or use any Confidential Information (except in the course of his regular authorized duties on behalf of the Company). The Executive agrees that the obligations of confidentiality hereunder shall be in effect at all times during the Employment Term and shall survive termination of his employment at the Company regardless of any actual or alleged breach by the Company of this Agreement, unless and until any such Confidential Information shall have become, through no fault of the Executive, generally known to the public or the Executive is required by law to make disclosure (after giving the Company notice and an opportunity to contest such requirement). The Executive's obligations under this Section 12 are in addition to, and not in limitation of or preemption of, all other obligations of confidentiality which the Executive may have to the Company under general legal or equitable principles.

(b) Except in the ordinary course of the Company's business, the Executive may not make or cause to be made, any copies, pictures, duplicates, facsimiles or other reproductions or recordings or any abstracts or summaries including or reflecting Confidential Information. All such documents and other property furnished to the Executive by the Company or otherwise acquired or developed by the Company shall at all times be the property of the Company. Upon termination of the Executive's employment with the Company, the Executive will return to the Company any such documents or other property of the Company which are in the possession, custody or control of the Executive.

(c) Without the prior written consent of the Company, except in the ordinary course of the Company's business, the Executive shall not at any time following the date of this

Agreement use for the benefit or purposes of the Executive or for the benefit or purposes of any other person, firm, partnership, association, trust, venture, corporation or business organization, entity or enterprise or disclose in any manner to any person, firm, partnership, association, trust, venture, corporation or business organization, entity or enterprise any Confidential Information.

13. Investment in Company Common Stock. The Executive shall, prior to December 31, 2001, purchase on the open market or pursuant to the Company's stock purchase plan an amount of Company Common Stock at a cost not less than \$250,000, and shall hold such Company Common Stock at least until the first to occur of December 31, 2004 or the termination of his employment with the Company. During such period (if any) after December 31, 2004 while the Executive's employment with the Company continues, he shall hold Company Common Stock having a value at least equal to 70% of the amount of his Base Salary as in effect from time to time.

14. Covenant Not to Compete.

(a) For three (3) years after the date of termination of employment (as hereinafter defined), if (i) the Executive has received or is receiving benefits under Section 9(a), (ii) the Executive terminates his employment before the end of the Employment Term for any reason other than those specified in

Section 8(a), or (iii) the Company terminates the Executive's employment for Cause, the Executive shall not, directly or indirectly, individually or on behalf of any other person or entity, (A) engage or be interested in (whether as owner, stockholder, partner, lender, consultant, employee, agent or otherwise) any business, activity or enterprise which is then competitive with the business of any division or operation of the Company or the Company's subsidiaries (collectively, the "Company Group") in any region of the United States in which such business is then being conducted, it being understood that the Company Group currently is engaged primarily in the business of for-profit post-secondary education, or (B) hire or employ any person who has been an employee, representative or agent of any member of the Company Group at any time during the Executive's employment or solicit, aid or induce such person to leave his or her employment with any member of the Company Group to accept employment with any other person or entity. The Executive's ownership of less than 1% of any class of stock in a publicly-traded corporation or his membership on any board of directors that the Board has approved in writing shall not be deemed a breach of this Section 14.

(b) The Executive acknowledges and agrees that a violation of Section 12 and the foregoing provisions of this Section 14 (referred to collectively as the Confidentiality and Noncompetition Agreement) would cause irreparable harm to the Company, and that the Company's remedy at law for any such violation would be inadequate. In recognition of the foregoing, the Executive agrees that, in addition to any other relief afforded by law or this Agreement, including damages sustained by a breach of this Agreement and any forfeitures under Section 9, and without the necessity or proof of actual damages, the Company shall have the right to enforce this Agreement by specific remedies, which shall include, among other things, temporary and permanent injunctions, it being the understanding of the undersigned parties hereto that damages, the forfeitures described above and injunctions shall all be proper modes of relief and are not to be considered as alternative remedies.

15. Agreement. This Agreement supersedes any and all prior and/or contemporaneous agreements, either oral or in writing, between the parties hereto, with respect to the subject matter hereof. Each party to this Agreement acknowledges that no representations, inducements, promises, or other agreements, orally or otherwise, have been made by any party, or anyone acting on behalf of any party, pertaining to the subject matter hereof, which are not embodied herein, and that no prior and/or contemporaneous agreement, statement or promise pertaining to the subject matter hereof that is not contained in this Agreement shall be valid or binding on either party.

16. Withholding of Taxes. The Company may withhold from any amounts payable under this Agreement all federal, state, city or other taxes as the Company is required to withhold pursuant to any law or government regulation or ruling.

17. Successors and Binding Agreement.

(a) The Company will require any successor (whether direct or indirect, by purchase, merger, consolidation, reorganization or otherwise) to all or substantially all of the business or assets of the Company, by agreement in form and substance satisfactory to the Executive, expressly to assume and agree to perform this Agreement in the same manner and to the same extent the Company would be required to perform if no such succession had taken place. This Agreement will be binding upon and inure to the benefit of the Company and any successor to the Company, including without limitation any persons acquiring directly or indirectly all or substantially all of the business or assets of the Company whether by purchase, merger, consolidation, reorganization or otherwise (and such successor shall thereafter be deemed the "Company" for the purposes of this Agreement), but will not otherwise be assignable, transferable or delegable by the Company.

(b) This Agreement will inure to the benefit of and be enforceable by the Executive's personal or legal representatives, executors, administrators, successors, heirs, distributees and legatees.

(c) This Agreement is personal in nature and neither of the parties hereto shall, without the consent of the other, assign, transfer or delegate this Agreement or any rights or obligations hereunder except as expressly provided in Sections 17(a) and 17(b). Without limiting the generality or effect of the foregoing, the Executive's right to receive payments and benefits hereunder will not be assignable, transferable or delegable by him, whether by pledge, creation of a security interest, or otherwise, other than by a transfer by the Executive's will or by the laws of descent and distribution and, in the event of any attempted assignment or transfer contrary to this Section 17(c), the Company shall have no liability to pay any amount so attempted to be assigned, transferred or delegated.

18. Notices. For all purposes of this Agreement, all communications, including without limitation notices, consents, requests or approvals, required or permitted to be given hereunder will be in writing and will be deemed to have been duly given when hand delivered or dispatched by electronic facsimile transmission (with receipt thereof confirmed), or five (5) business days after having been mailed by United States registered or certified mail, return receipt requested, postage prepaid, or three business days after having been sent by a nationally

recognized overnight courier service such as Federal Express, UPS, or Purolator, addressed to the Company (to the attention of the Secretary of the Company) at its principal executive offices and to the Executive at his principal residence, or to such other address as either party may have furnished to the other in writing and in accordance herewith, except that notices of changes of address shall be effective only upon receipt.

19. Governing Law. The validity, interpretation, construction and performance of this Agreement will be governed by and construed in accordance with the substantive laws of the State of Maryland, without giving effect to the principles of conflict of laws of such State.

20. Validity. If any provision of this Agreement or the application of any provision hereof to any person or circumstances is held invalid, unenforceable or otherwise illegal, the remainder of this Agreement and the application of such provision to any other person or circumstances will not be affected, and the provision so held to be invalid, unenforceable or otherwise illegal will be reformed to the extent (and only to the extent) necessary to make it enforceable, valid or legal.

21. Survival of Provisions. Notwithstanding any other provision of this Agreement, the parties' respective rights and obligations under Sections 9 through 24, inclusive, will survive any termination or expiration of this Agreement or the termination of the Executive's employment for any reason whatsoever.

22. Miscellaneous. No provision of this Agreement may be modified, waived or discharged unless such waiver, modification or discharge is in writing and signed by the party against whom such modification, waiver or discharge is sought to be enforced. No waiver by either party hereto at any time of any breach by the other party hereto or compliance with any condition or provision of this Agreement to be performed by such other party will be deemed a waiver of similar or dissimilar provisions or conditions at the same or at any prior or subsequent time. Unless otherwise noted, references to "Sections" are to sections of this Agreement. The captions used in this Agreement are designed for convenient reference only and are not to be used for the purpose of interpreting any provision of this Agreement.

23. Counterparts. This Agreement may be executed in one or more counterparts, each of which shall be deemed to be an original but all of which together will constitute one and the same agreement.

24. Board Membership.

(a) The Executive shall recuse himself from all decisions and actions taken by the Board with respect to this Agreement, including without limitation decisions whether the Company will give any notice that the Employment Term shall not be extended pursuant to Section 2 and any decisions concerning the termination of the Executive's employment by the Company.

(b) Notwithstanding any other provision of this Agreement, upon the termination of the Executive's employment with the Company for any reason, unless otherwise requested by the Board he shall immediately resign from the Board and from all boards of directors of subsidiaries and affiliates of the Company of which he may be a member. The

Executive hereby agrees to execute any and all documentation of such resignations upon request by the Company, but he shall be treated for all purposes as having so resigned upon termination of his employment, regardless of when or whether he executes any such documentation.

IN WITNESS WHEREOF, with the Company signatory listed below having been duly authorized by the Company to enter into this Agreement by the Company, the parties hereto have executed this Agreement as of the day and year first written.

STRAYER EDUCATION, INC.

By: /s/ Steven B. Klinsky

Name: Steven B. Klinsky
Title: Chairman

/s/ Robert S. Silberman

Robert S. Silberman

EXHIBIT 10.04

REAL ESTATE PURCHASE AGREEMENT

THIS REAL ESTATE PURCHASE AGREEMENT (the "AGREEMENT") made and entered into as of this 31st day of January, 2002 ("CLOSING DATE") by and among KKB, L.L.C., a Virginia limited liability company (as Seller of the Manassas Property "MANASSAS SELLER," and as Seller of the Woodbridge Property, "WOODBRIIDGE SELLER"), and CENTRAL INVESTMENTS, INC., a Virginia corporation ("DC SELLER") (collectively, "SELLER") and STRAYER UNIVERSITY, INC., a Maryland corporation ("PURCHASER").

W I T N E S S E T H

In consideration of Ten Dollars (\$10.00) in hand paid, of the mutual promises hereinafter set forth, and of other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties hereto hereby agree as follows:

1. DEFINITIONS. The following terms as used herein shall have the following meanings:

"BUILDINGS" mean the Woodbridge Building, the Manassas Building, and the DC Building.

"CONDEMNATION" means a taking for public or private use of, or an action in eminent domain by any governmental or quasi-governmental authority affecting any or all of the Property or any interest therein.

"DC BUILDING" means the educational building located at 1025 15th Street, N.W., Washington, DC 20005, containing approximately 28,064 rentable square feet.

"DC LEASE" means that certain Agreement of Lease dated June 1, 1996 by and between DC Seller and Purchaser for the DC Property (as such term is defined in Section 2.1 hereof).

"ENVIRONMENTAL LAWS" shall mean the Comprehensive Environmental Response, Compensation and Liability Act, as amended, 42 U.S.C. 9601-9630, in the Superfund Amendments and Reauthorization Act, 42 U.S.C. 9601-9630, in the Resource Conservation and Recovery Act, 42 U.S.C. 6901-6992, and in the Clean Air Act, 42 U.S.C. 7401-7508, as any of the preceding may be amended from time to time.

"ESCROW AGENT" shall mean First American Title Insurance Company.

"GOVERNMENTAL AUTHORITY" means any federal, state, or local governmental or quasi-governmental authority, agency, commission, board or other instrumentality thereof asserting or exercising jurisdiction.

"HAZARDOUS SUBSTANCES" shall mean substances defined as a "hazardous substance" or "toxic substance" in the Environmental Laws in effect on the date of this Agreement and any other substances considered hazardous, toxic or otherwise harmful pursuant to any other applicable laws or regulations relating to pollution or protection of human health or the environment.

"LEGAL REQUIREMENTS" means all ordinances, rules, regulations, orders, restrictions and other requirements of all Governmental Authorities, currently enacted, having jurisdiction over the Seller or the Property and being applicable to all or any portion of the Property or the operation thereof.

"LEASES" means the Manassas Lease, Woodbridge Lease and DC Lease.

"MANASSAS BUILDING" means the educational building located at 9990 Battleview Parkway, Battlefield Business Park, Manassas, Prince William County, Virginia 20109, containing approximately 20,800 rentable square feet.

"MANASSAS LEASE" means that certain Deed of Lease dated June 1, 1996 by and between Manassas Seller and Purchaser for the Manassas Property (as such term is defined in Section 2.3 hereof).

"PERMITS" shall mean all licenses, authorizations, certificates, variances, consents, approvals and other permits necessary or appropriate to permit construction, reconstruction, if any, alteration, addition, improvements, repair, restoration, use, occupancy, operation, management, ownership and leasing of the Property.

"PERSON" means and includes an individual, a partnership, a corporation, a trust, a limited liability company, an other unincorporated organization and a government or any department or agency thereof.

"SERVICE CONTRACTS" means, except for those contracts entered into by Purchaser, (i) all leasing and brokerage agreements, (ii) all elevator maintenance agreements, (iii) all cleaning and char agreements, (iv) all maintenance agreements, and (v) any other agreements or arrangements relating to each Property entered into by Seller or Seller's agents with a completion value of more than \$500.

"TITLE COMPANY" shall mean First American Title Insurance Company.

"WOODBIDGE BUILDING" means the educational building located at 13385 Minnieville Road, Woodbridge, Prince William County, Virginia 22192, containing approximately 20,800 rentable square feet.

"WOODBIDGE LEASE" means that certain Deed of Lease dated June 1, 1996 by and between Woodbridge Seller and Purchaser for the Woodbridge Property (as such term is defined in Section 2.2 hereof).

2. CONVEYANCES.

2.1 Conveyance of the DC Property. Subject to the terms and conditions of this Agreement, DC Seller agrees to convey and Purchaser agrees to purchase the real estate consisting of land located at 1025 15th Street, N.W., Washington, DC, as more particularly described in EXHIBIT "A" attached hereto (the "DC LAND"), together with (a) all buildings and other improvements and fixtures thereon (the "DC IMPROVEMENTS"), and (b) all of DC Seller's right, title and interest, if any, in and to any air space, subterranean, roads, streets, alleys and ways, public and private, serving any of said DC Land or DC Improvements, all of DC Seller's right, title and interest, if any, in and to any land lying in the bed of any street, road, avenue or alley, open or closed, or proposed to be opened or closed, in front of or adjoining any of said DC Land, and all other appurtenances, rights, easements, rights-of-way, tenements and hereditaments incident thereto, and all right, title and interest of DC Seller in and to any award made or to be made in lieu thereof and in and to any award for damages to the DC Land and DC Improvements by reason of change of grade of any street (collectively, the "DC APPURTENANT RIGHTS"), together with any furniture, furnishings, machinery, equipment and other items of personal property, exterior and interior, tangible and intangible, of every kind and description, owned by DC Seller and situated on or about, or appurtenant to or used in connection with the DC Property (as hereinafter defined) or DC Seller's operation of the DC Improvements (collectively, the "DC PERSONAL PROPERTY"), together with any and all rights of DC Seller in and to any and all insurance proceeds, condemnation or eminent domain awards, service contracts, leases, warranties, guaranties, licenses or other agreements relating to the DC Land or DC Improvements or the DC Personal Property, all accounts receivable and contract rights, tradenames, rights to prosecute and any awards or recoveries from any real estate tax appeals relating to the DC Land or DC Improvements (subject to the proration provided in Section 9.1), insofar as any of the foregoing relate to the DC Land, DC Improvements, DC Personal Property or DC Appurtenant Rights (collectively, the "DC RELATED RIGHTS") (the DC Land, DC Improvements, DC Personal Property, DC Related Rights and DC Appurtenant Rights, hereinafter individually and collectively referred to as the "DC PROPERTY").

2.2 Conveyance of Woodbridge Property. Subject to the terms and conditions of this Agreement, Woodbridge Seller agrees to convey and Purchaser agrees to purchase the real estate consisting of land located at 13385 Minnieville Road, Woodbridge, Prince William County, Virginia, as more particularly described in EXHIBIT "B" attached hereto (the "WOODBIDGE LAND"), together with (a) all buildings and other improvements and fixtures thereon (the "WOODBIDGE IMPROVEMENTS"), and (b) all of Woodbridge Seller's right, title and interest, if any, in and to any air space, subterranean, roads, streets, alleys and ways, public and private, serving any of said Woodbridge Land or Woodbridge Improvements, all of Woodbridge Seller's right, title and interest, if any, in and to any land lying in the bed of any street, road, avenue or alley, open or closed, or proposed to be opened or closed, in front of or adjoining any of said Woodbridge Land, and all other appurtenances, rights, easements, rights-of-way, tenements and hereditaments incident thereto, and all right, title and interest of Woodbridge Seller in and to any award made or to be made in lieu thereof and in and to any award for damages to the Woodbridge Land and Woodbridge Improvements by reason of change of grade of any street (collectively, the "WOODBIDGE APPURTENANT RIGHTS"), together with any furniture, furnishings,

machinery, equipment and other items of personal property, exterior and interior, tangible and intangible, of every kind and description, owned by Woodbridge Seller and situated on or about, or appurtenant to or used in connection with the Woodbridge Property (as hereinafter defined) or Woodbridge Seller's operation of the Woodbridge Improvements (collectively, the "WOODBIDGE PERSONAL PROPERTY"), together with any and all rights of Woodbridge Seller in and to any and all insurance proceeds, condemnation or eminent domain awards, service contracts, leases, warranties, guaranties, licenses or other agreements relating to the Woodbridge Land or Woodbridge Improvements or the Woodbridge Personal Property, all accounts receivable and contract rights, tradenames, rights to prosecute and any awards or recoveries from any real estate tax appeals relating to the Woodbridge Land or Woodbridge Improvements (subject to the proration provided in Section 9.1), insofar as any of the foregoing relate to the Woodbridge Land, Woodbridge Improvements, Woodbridge Personal Property or Woodbridge Appurtenant Rights (collectively, the "WOODBIDGE RELATED RIGHTS") (the Woodbridge Land, Woodbridge Improvements, Woodbridge Personal Property, Woodbridge Related Rights and Woodbridge Appurtenant Rights, hereinafter individually and collectively referred to as the "WOODBIDGE PROPERTY").

2.3 Conveyance of Manassas Property. Subject to the terms and conditions of this Agreement, Manassas Seller agrees to convey and Purchaser agrees to purchase the real estate consisting of land located at 9990 Battleview Parkway, Battlefield Business Park, Manassas, Prince William County, Virginia, as more particularly described in EXHIBIT "C" attached hereto (the "MANASSAS LAND"), together with (a) all buildings and other improvements and fixtures thereon (the "MANASSAS IMPROVEMENTS"), and (b) all of Manassas Seller's right, title and interest, if any, in and to any air space, subterranean, roads, streets, alleys and ways, public and private, serving any of said Manassas Land or Manassas Improvements, all of Manassas Seller's right, title and interest, if any, in and to any land lying in the bed of any street, road, avenue or alley, open or closed, or proposed to be opened or closed, in front of or adjoining any of said Manassas Land, and all other appurtenances, rights, easements, rights-of-way, tenements and hereditaments incident thereto, and all right, title and interest of Manassas Seller in and to any award made or to be made in lieu thereof and in and to any award for damages to the Manassas Land and Manassas Improvements by reason of change of grade of any street (collectively, the "MANASSAS APPURTENANT RIGHTS"), together with any furniture, furnishings, machinery, equipment and other items of personal property, exterior and interior, tangible and intangible, of every kind and description, owned by Manassas Seller and situated on or about, or appurtenant to or used in connection with the Manassas Property (as hereinafter defined) or Manassas Seller's operation of the Manassas Improvements (collectively, the "MANASSAS PERSONAL PROPERTY"), together with any and all rights of Manassas Seller in and to any and all insurance proceeds, condemnation or eminent domain awards, service contracts, leases, warranties, guaranties, licenses or other agreements relating to the Manassas Land or Manassas Improvements or the Manassas Personal Property, all accounts receivable and contract rights, tradenames, rights to prosecute and any awards or recoveries from any real estate tax appeals relating to the Manassas Land or Manassas Improvements (subject to the proration provided in Section 9.1), insofar as any of the foregoing relate to the Manassas Land, Manassas Improvements, Manassas Personal Property or Manassas Appurtenant Rights (collectively, the "MANASSAS RELATED RIGHTS") (the Manassas Land, Manassas Improvements, Manassas Personal Property, Manassas

Related Rights and Manassas Appurtenant Rights, hereinafter individually and collectively referred to as the "MANASSAS PROPERTY").

2.4 The Manassas Property, Woodbridge Property and DC Property shall be referred to collectively herein as the "PROPERTY" or "PROPERTIES." The Manassas Improvements, Woodbridge Improvements and DC Improvements are referred to collectively herein as the "IMPROVEMENTS." The Manassas Land, Woodbridge Land and DC Land are referred to collectively herein as the "LAND." The Manassas Appurtenant Rights, Woodbridge Appurtenant Rights and DC Appurtenant Rights are referred to collectively herein as the "APPURTENANT RIGHTS." The Manassas Personal Property, Woodbridge Personal Property and DC Personal Property are referred to collectively herein as the "PERSONAL PROPERTY." The Manassas Related Rights, Woodbridge Related Rights and DC Related Rights are referred to collectively herein as the "RELATED RIGHTS."

3. PURCHASE PRICE.

3.1 The total purchase price for the Property shall be Twelve Million and No/100 Dollars (\$12,000,000.00), less any amounts to be credited to the Purchaser under Sections 7 and 9 below (the "PURCHASE PRICE"). The Purchase Price shall be payable in full in immediately available funds on the Closing Date.

3.2 The Purchase Price shall be allocated among the Properties as follows: Three Million Dollars (\$3,000,000) to the DC Property and Four Million Five Hundred Thousand Dollars (\$4,500,000) to each of the Woodbridge and Manassas Properties.

4. TITLE. Seller covenants that title to the Property is being conveyed subject only to those liens, encumbrances, easements, limitations, covenants and restrictions of record, including the lien of real estate taxes and water charges which are not yet due and payable, and that such title is good of record and in fact, marketable, and insurable by Title Company at standard rates. Seller shall execute and deliver to the Title Company, at Closing, an Owner's Affidavit in the form attached hereto as EXHIBITS "D-1", "D-2" AND "D-3".

5. REPRESENTATIONS AND WARRANTIES.

5.1 Representations and Warranties of Seller. To induce Purchaser to execute this Agreement and perform its obligations hereunder, Manassas Seller as to the Manassas Property, Woodbridge Seller as to the Woodbridge Property and DC Seller as to the DC Property hereby represent and warrant to Purchaser as of the date hereof as follows:

(a) Organization, Execution and Power of Seller. DC Seller is a corporation, duly organized and validly existing under the laws of the Commonwealth of Virginia. Each of Woodbridge Seller and Manassas Seller is a limited liability company, duly organized and validly existing under the laws of the Commonwealth of Virginia. Seller has all requisite power to own, lease and operate its respective Properties, and to carry on its business as now conducted. Seller has full power to execute, deliver and carry out the terms and provisions of this Agreement and all documents required on its part to

be executed and has taken all necessary corporate action to authorize the execution, delivery and performance of this Agreement and all other agreements and instruments executed in connection herewith and the performance of those provisions of this Agreement required on its part to be carried out. The persons executing this Agreement (and all other agreements and instruments entered into by Seller in furtherance hereof), on behalf of Seller, have the authority to bind Seller to the terms and conditions of this Agreement (and all said agreements and instruments). Neither the execution and delivery of this Agreement and said agreements and instruments to be executed by Seller in connection herewith, nor the incurrence by Seller of the obligations herein set forth, nor the consummation by Seller of the transactions herein contemplated, nor compliance by Seller with the terms of this Agreement and said agreements and instruments will conflict with or result in a breach of any of the terms, conditions or provisions of, or constitute a default under, the Articles of Incorporation, Articles of Organization, Bylaws or Limited Liability Company Agreement of Seller, as the case may be, or to the knowledge of Seller, any bond, note or other evidence of indebtedness, contract, indenture, mortgage, deed of trust, loan agreement, lease or other agreement or instrument, to which Seller is a party or by which any of its properties may be bound, or, to the knowledge of Seller, any Legal Requirement of any court or Governmental Authority having jurisdiction over Seller or the Property. This Agreement constitutes, and all agreements and documents required to be executed by Seller hereunder when so executed and delivered shall constitute, the legal, valid and binding obligations of Seller enforceable against Seller in accordance with their respective terms, except as may be limited by bankruptcy, insolvency or the exercise of judicial discretion and the application of equitable principles. Any order, permission, consent, approval, license, authorization, registration or filing with, or exemption by, any governmental agency which is required for the execution, delivery or performance of this Agreement, or said agreements and instruments by Seller has been obtained or made.

(b) Contracts. Neither Seller nor any of Seller's predecessors-in-interest have entered into any Service Contracts affecting the Properties.

(c) Leases. The Property is not subject to any leases, tenancies, licenses or other rights of occupancy or use, oral or written, for any portion of the Property, other than the Leases.

(d) Brokerage Commissions. There are no brokerage commissions or finder's fees payable by Seller or, to Seller's knowledge, by any of Seller's agents with respect to any of the Leases and neither Seller nor, to Seller's knowledge, any of Seller's agents have any agreement with any broker with respect to any of the Leases.

(e) Litigation. To Seller's knowledge, there are no judgments, liens, claims, litigation, proceedings (zoning or otherwise) or investigations by any Governmental Authorities, pending at law or in equity, or threatened against or relating to the Property, the Seller or the transactions contemplated by this Agreement. Seller has no pending claims as a claimant under any insurance policies relating to Seller or the Property.

(f) Condemnation. To Seller's knowledge, there is (i) no pending Condemnation, (ii) no pending relocation of any roadways abutting the Property, and (iii) no denial of access to the Property from any point of access to the Property, and

neither Seller nor any of its agents or affiliates has received any written notice of any of the same nor has knowledge that any such proceeding is contemplated.

(g) Legal Requirements. To Seller's knowledge, Seller has not received any notice which remains uncured that either the Property or the use and condition of the Improvements violates any Legal Requirements affecting the Property as modified by any duly issued variance. No action or proceeding relating to the foregoing is pending or threatened with respect to the Property. The Seller has no knowledge of any existing violations of any Legal Requirements affecting all or any portion of the Property, including, without limitation, violations of the housing, building, safety, health, fire, or zoning ordinances, codes and regulations of the municipality or county within which the Properties are located, and Seller has not received any written notice which remains uncured of any such violation.

(h) Restrictions, Easements. To Seller's knowledge, no material default or breach exists under any of the covenants, conditions or restrictions, if any, affecting all or any portion of the Property which are to be performed or complied with by the owners of the Property.

(i) Assessed Value. To Seller's knowledge, there are no tax abatements or exemptions affecting the Property and Seller has no knowledge of any pending increases in such assessed valuation or such taxes or any proposals in such regard except to the extent that the 2002 annual assessment may reflect an increase in assessed valuation.

(j) Fee Title. Seller owns fee simple title to the Property. Seller has not granted or conveyed to any Person, other than the Purchaser, any right or option to acquire the Property or any part thereof or any easement, license or lease of the Property, other than the Leases, or other right relating to the use or possession of the Property.

(k) Environmental. To Seller's knowledge, the Property is not in violation of any Legal Requirements relating to environmental conditions on or under the Land including soil and groundwater condition. Except as set forth on the environmental report attached hereto as EXHIBIT "E", to Seller's knowledge, there are no Hazardous Substances in the Property and, to Seller's knowledge, no occupant or prior occupant of the Property has received any notice or advice from any Governmental Authority or any source whatsoever with respect to Hazardous Substances in, affecting or installed in the Property. Seller represents and warrants that it has delivered to Purchaser all environmental and engineering reports concerning the Properties that are in its possession.

(l) No Foreign Entity. Seller represents and warrants to Purchaser that Seller is not a nonresident alien, foreign corporation, foreign partnership, foreign trust or foreign estate as those terms are defined in the Internal Revenue Code of 1986, as amended, and the Treasury Regulations issued thereunder, and Seller agrees to execute, acknowledge and deliver to Purchaser, at Closing, a certification of nonforeign status (the "FIRPTA AFFIDAVIT") in the form set forth and attached hereto as EXHIBITS "F-1" AND "F-2".

(m) Defaults Under Court Orders. To Seller's knowledge, Seller is not in default or violation of any order, writ injunction, decree or demand of any Governmental Authority.

(n) Proffers. Except as set forth on SCHEDULE 5.1.N, to Seller's knowledge there are no proffers, development agreements or other restrictions affecting the use or development of the Property, with the exception of the Legal Requirements.

(o) References to "Seller's knowledge" or similar terms shall refer only to the actual knowledge of Ron K. Bailey and shall not be construed to refer to the knowledge of Seller, or to any other property manager, or to any other officer, agent, manager, representative or employee of Seller. Ron K. Bailey has performed a reasonable investigation into the matters to which such actual knowledge, or the absence thereof, pertains.

5.2 SURVIVAL OF REPRESENTATIONS AND WARRANTIES; RELIANCE BY PURCHASER. Seller agrees that all of the representations and warranties of Seller as set forth in Section 5.1 and elsewhere in this Agreement and in any document or certificate delivered to Purchaser pursuant to this Agreement (unless otherwise provided therein) shall survive for a period of six

(6) months following the Closing Date. All material representations, warranties, covenants and agreements contained in this Agreement shall be deemed to have been relied upon by Purchaser subject to any investigation heretofore or hereafter made by Purchaser or on its behalf. No claim for a breach of any representation or warranty of Seller shall be actionable or payable if the breach in question was actually known to Purchaser prior to Closing. Seller shall have no liability to Purchaser for a breach of any representation or warranty unless written notice containing a description of the specific nature of such breach shall have been given by Purchaser to Seller prior to the expiration of said six (6) month period, and an action shall have been commenced by Purchaser against Seller within eight (8) months from the date of Closing. Any claim or liability should be limited to actual damages. Further, the total aggregate amount of any and all claims shall not exceed Three Hundred Thousand Dollars (\$300,000).

5.3 REPRESENTATIONS AND WARRANTIES OF PURCHASER. Purchaser is a corporation duly organized, validly existing and in good standing under the laws of the State of Maryland. Purchaser and any individual executing this Agreement on Purchaser's behalf, has the power to execute, deliver and perform this Agreement and has taken all actions required to authorize the due execution and delivery of this Agreement. The execution, delivery and performance of this Agreement does not, and the consummation of the transactions contemplated hereby will not, violate any provision of the articles of incorporation, bylaws or comparable documents of Purchaser, or any provision of any agreement, instrument, order, judgment or decree or, to Purchaser's knowledge, any applicable law or regulation to which either Purchaser is a party or by which it or any of its assets is bound.

5.4 "AS IS". EXCEPT AS EXPRESSLY SET FORTH HEREIN, THE PARTIES ACKNOWLEDGE THAT SELLER MAKES NO REPRESENTATION OR WARRANTY, EXPRESS OR IMPLIED, WITH RESPECT TO ANY ASPECT OF THE

PROPERTY, AND THE PURCHASER IS ACQUIRING THE PROPERTY IN "AS IS" CONDITION.

6. **BROKERS.** Except as expressly set forth herein, Seller and Purchaser respectively represent and warrant that it has employed no brokers or finders in respect of the transactions contemplated by this Agreement. Seller and Purchaser, respectively, shall indemnify, defend and hold harmless the other from any loss, liability or costs incurred by the other party, including reasonable attorney's fees and disbursements, as well as the cost of enforcing this indemnity and arising out of a claim by any broker, agent or finder that he acted on behalf of the indemnifying party in connection with this transaction. Notwithstanding anything contained herein to the contrary, the representations and indemnities contained in this section shall survive the Closing Date.

7. CLOSING COSTS.

7.1 Seller shall pay (i) one-half (1/2) of all transfer and deed recordation taxes and costs in connection with the transfer of the Property, (ii) one-half (1/2) of all reasonable escrow fees, and (iii) all sums due from Seller under Section 9 below. Seller shall be responsible for the payment of its own legal, counsel or consultants fees incurred in connection with this transaction.

7.2 Purchaser shall pay (i) all costs of title insurance, title examination, Title Company charges, and the cost of the survey, (ii) one-half (1/2) of all transfer and deed recordation taxes and costs in connection with the transfer of the Property, (iii) all mortgage recordation costs and fees in connection therewith, (iv) one-half (1/2) of all reasonable escrow fees, and (v) all sums due from Purchaser under Section 9 below. Purchaser shall be responsible for the payment of its own legal, letter of credit fees, counsel or consultants fees incurred in connection with this transaction.

8. CLOSING.

8.1 On the Closing Date, Seller shall deliver (duly and fully executed, acknowledged and notarized as appropriate) to the Escrow Agent or perform the following:

- (a) Special Warranty Deed in substantially the form attached hereto as EXHIBITS "G-1", "G-2" AND "G-3" ("DEED") conveying title to each of the Manassas Property, the Woodbridge Property and the DC Property in recordable form;
- (b) Bill of Sale in substantially the form attached hereto as EXHIBITS "H-1", "H-2" AND "H-3" ("BILL OF SALE") conveying title to each of the Manassas Personal Property, Woodbridge Personal Property and DC Personal Property free and clear of all liens;
- (c) A general assignment and assumption agreement in substantially the form attached hereto as EXHIBITS "I-1", "I-2" AND "I-3" ("ASSIGNMENT") assigning to Purchaser all of Seller's right, title and interest in and to all Service Contracts (to the extent assignable), Permits and Related Rights (including warranties and

guaranties relating to Personal Property conveyed under the Bill of Sale), and providing for Purchaser's assumption thereof;

(d) Corporate resolutions authorizing the transactions contemplated herein and an incumbency certificate to evidence the capacity and authority of Seller to consummate the transactions contemplated herein, and any other documents to evidence the authority of Seller to consummate the transactions contemplated herein reasonably requested by the Title Company, Escrow Agent or Purchaser;

(e) Possession of the Property free and clear of all parties in possession;

(f) The Owner's Affidavit executed by Seller;

(g) The FIRPTA Affidavit, executed by Seller;

(h) Termination Agreements for each of the Leases; and

(i) Such instruments as are reasonably required by the Title Company for the elimination of any standard or printed exceptions in the Purchaser's final policy of title insurance, including, without limitation, for the provision of customary and reasonable affirmative coverages or endorsements.

8.2 On the Closing Date, Purchaser shall deliver (duly and fully executed, acknowledged and notarized as appropriate) to the Escrow Agent or perform the following:

(a) Any documents reasonably requested by Title Company, Escrow Agent or Seller to evidence Purchaser's capacity and authority to consummate the transactions contemplated herein;

(b) The Assignment; and

(c) The Purchase Price.

8.3 Both parties agree to duly execute and/or deliver all other documents reasonably necessary to consummate this transaction, including, without limitation, three (3) separate settlement statements setting forth the charges, credits and adjustments to each party.

9. ADJUSTMENTS AND PRORATIONS. All items of income or expense arising from the ownership of the Property shall be prorated and adjusted as of the Closing Date unless otherwise specifically mentioned herein including, without limitation, the following:

9.1 Real Estate Taxes. Real estate taxes shall be prorated as of the Closing Date. In the event that a current tax bill is unavailable, the proration hereunder shall be based on the most recent real estate tax assessment.

9.2 Insurance Policies. Premiums on insurance policies will not be adjusted. As of the Closing Date, Seller shall terminate its insurance coverage on the Property and Purchaser shall effect its own insurance coverage.

9.3 Capital Repairs. The parties acknowledge that Seller is responsible for Capital Repairs under the Leases (as such term is defined in the Leases) and that the expenses for unpaid Capital Repairs set forth and described on SCHEDULE 9.3 hereto shall be credited to Purchaser hereunder.

9.4 Assessments. Assessments which are or may be payable in annual installments of which the first installment is then a lien or has been paid shall be prorated as of the Closing Date.

9.5 Reduction of Assessments. If, subsequent to the Closing Date, any proceeding shall result in any reduction of assessment for the fiscal year in which the Closing Date occurs, then the amount of tax saving or refund for such fiscal tax year, less the reasonable expenses (including fees and disbursements payable to attorneys or consultants) incurred in connection with such proceedings, shall be apportioned between Seller and Purchaser as of the date real estate taxes are apportioned under this Agreement.

9.6 Personal Property Taxes. Personal property taxes, if any, payable with respect to the Personal Property shall be apportioned as of the Closing Date.

9.7 Post-Closing Adjustments. Seller and Purchaser agree that if, after the Closing Date, any charge or amount arises or becomes known which accrued or was earned in whole or in part prior to the Closing Date, or any adjustment made hereunder shall prove to be incorrect, then such amount shall be adjusted as of the Closing Date. Seller shall pay amounts accrued, or receive amounts earned, prior to the Closing Date and Purchaser shall pay amounts accrued, or receive amounts earned, on or after the Closing Date. The provisions of this Article 9.7 shall survive the Closing Date.

10. INDEMNITY.

10.1 Seller agrees to indemnify, defend and hold harmless Purchaser from and against any and all claims, demands, causes of action, losses, damages, liabilities, costs and expenses (including attorneys' fees and court costs, whether suit is instituted or not), asserted against or incurred by Purchaser by reason of or arising out of the discovery following the Closing Date of the breach or material misstatement by Seller of any representation, warranty or covenant contained in this Agreement.

10.2 Purchaser agrees to indemnify, defend and hold harmless Seller from and against any and all claims, demands, causes of action, losses, damages, liabilities, costs and expenses (including attorneys' fees and court costs, whether suit is instituted or not), asserted against or incurred by Seller by reason of or arising out of the discovery following the Closing Date of the breach or material misstatement by Purchaser of any representation, warranty or covenant contained in this Agreement.

10.3 Any recovery provided for by this Section shall be limited to actual damages only (but inclusive of attorney's fees and costs whether suit is instituted or not) and subject to the limitations of Section 5.2 hereof.

10.4 Subject to the provisions of Section 5.2 hereof, The indemnity agreements contained in this paragraph shall survive the Closing Date.

11. DISTRICT OF COLUMBIA SOIL CHARACTERISTICS.

As required under the provisions of Section 42-608, District of Columbia Code, to the best of Seller's knowledge, the characteristics of the soil of the DC Property, as described by the Soil Conservation Service of the U.S. Department of Agriculture in the Soil Survey Book of the District of Columbia (Area 11), published in July, 1976, and as shown on the soil maps of the District of Columbia at the back of that publication is Urban Land. For further information, Purchaser may contact the Soil Testing Laboratory, the District of Columbia Department of Environmental Services, or the Soil Conservation Service of the U.S. Department of Agriculture. The foregoing is set forth pursuant to the District of Columbia Code and is not intended as, and should not be construed as, limiting the conditions set forth herein with respect to Purchaser's investigations, tests and studies and the absence of representations and warranties by Seller with respect to the condition of the Property.

12. DISTRICT OF COLUMBIA UNDERGROUND STORAGE TANKS DISCLOSURE NOTICE.

In accordance with the requirements of Section 3(g) of the District of Columbia Underground Storage Tank Management Act of 1990, as amended by the District of Columbia Underground Storage Tank Management Act of 1990 Amendment Act of 1992, D.C. Code, ss. 8-113.02, Seller informs Purchaser that to the best of its knowledge, there are no underground storage tanks on the DC Property.

13. NO WAIVER; ELECTIONS.

The exercise of (or failure to exercise) any one of either party's rights or remedies under this Agreement shall not be deemed to be in lieu of or a waiver of any other right or remedy contained herein or in any of the other documents, agreements or instruments delivered in connection herewith or available to such party at law or equity. Subject to the provisions of Section 10 above, in the event of the occurrence of a default by a party hereunder, the other party shall have the sole right to determine which remedies are available under this Agreement or at law or equity to pursue, and may elect to pursue (or not to pursue) any or all of such remedies (regardless of whether such election is deemed to be inconsistent).

14. WAIVER OF JURY TRIAL.

SELLER AND PURCHASER EACH HEREBY WAIVE ANY RIGHT TO JURY TRIAL IN CONNECTION WITH THE ENFORCEMENT BY PURCHASER, OR SELLER, OF ANY OF THEIR RESPECTIVE RIGHTS AND REMEDIES HEREUNDER.

15. INTERPRETATION.

Each of Seller and Purchaser acknowledge that it was represented by counsel in connection with this Agreement and that it or its counsel drafted, reviewed and/or revised this Agreement and that any rule of construction to the effect that ambiguities are to be resolved against the drafting party shall not be employed in the interpretation of this Agreement.

16. NOTICES.

All notices, waivers, demands, requests or other communications required or permitted by this Agreement ("NOTICES"), to be effective, shall be in writing, properly addressed, and shall be given by (i) personal delivery, (ii) established overnight commercial courier (such as Federal Express) for delivery on the next business day with delivery charges prepaid or duly charged (iii) by registered or certified mail (return receipt requested, first-class postage prepaid), or (iv) by facsimile or telecopy transmittal, as follows:

If to Seller:

6551 Loisdale Court, Suite 115
Springfield, Virginia 22150

Attn: Ron K. Bailey

With a copy to (which shall not constitute notice):

Walsh Colucci Stackhouse Emrich & Lubeley PC Courthouse Plaza
2200 Clarendon Boulevard, 13th Floor Arlington, Virginia 22201-3359 Attn: William A. Fogarty, Esq.
Fax: (703) 528-6050

If to Purchaser:

Strayer University, Inc.
8550 Cinder Bed Road

Suite 1000
P.O. Box 1310
Newington, Virginia 22122 Attn: Steven McArthur, Esq.

Fax: (703) 339-2966

With a copy to (which shall not constitute notice):

Hogan & Hartson L.L.P.

8300 Greensboro Drive

Suite 1100

McLean, Virginia 22102 Attn: Dennis K. Moyer, Esq.

Fax: (703) 610-6200

or to any other address or addressee as any party entitled to receive notice under this Agreement shall designate, from time to time, to others in the manner provided for in this section for the service of Notices. Notices shall be deemed to have been given the following business day after actual receipt (or refusal to accept receipt) by a natural person at the address shown. All courtesy copies of Notices sent to the parties listed above as receiving copies shall be given in the same manner as the original Notice that was sent but shall not be a prerequisite to the effectiveness of any Notice.

17. **BENEFIT AND BURDEN.** This Agreement shall be binding upon and inure to the benefit of the parties hereto and their respective heirs, personal representatives, successors and, to the extent permitted hereunder, assigns. Except for Section 21, the provisions herein shall survive Closing and delivery of the deed for a period of six (6) months and shall not be merged therein.

18. **ENTIRE AGREEMENT.** This Agreement contains the entire agreement among the parties. There are no promises, agreements, terms, conditions, undertakings, understandings, warranties, covenants or representations, oral or written, express or implied, among them other than as set forth in this Agreement. This Agreement may not be modified orally or in any manner other than by an agreement in writing signed by all the parties or their respective successors in interest.

19. **GOVERNING LAW.** This Agreement shall be governed by and construed in accordance with the laws of the Commonwealth of Virginia.

20. **SEVERABILITY.** The provisions of this Agreement shall be deemed severable, and the invalidity or unenforceability of any one or more of the provisions hereof shall not affect the validity or enforceability of the other provisions hereof.

21. **FURTHER ASSURANCES.** Each of the parties hereto shall at any time and from time to time after the Closing Date execute and deliver such further instruments, documents and certificates and do such further acts and things, as may be required by law or which may be appropriate or reasonable in order to carry out the intent and purposes of this Agreement, or to vest more fully in Purchaser the title to the Property.

22. **BUSINESS DAYS.** If any date upon which action is required under this Agreement shall be a Saturday, Sunday or a Federally recognized legal holiday, the date for such action shall be extended to the first business day after such date that is not a Saturday, Sunday or legal holiday.

23. DELIVERY; COUNTERPARTS.

(a) Delivery of this Agreement may be accomplished by any method specified in Section 16.

(b) To facilitate execution, this Agreement may be executed in as many counterparts as may be required; and it shall not be necessary that the signatures of, or on behalf of, each party, or that the signatures of all persons required to bind any party, appear on each counterpart; but it shall be sufficient that the signature of, or on behalf of, each party, appear on one or more of the counterparts. All counterparts shall collectively constitute a single agreement. It shall not be necessary in making proof of this Agreement to produce or account for more than a number of counterparts containing the respective signatures of, or on behalf of, all of the parties hereto.

-15-

IN WITNESS WHEREOF, the undersigned parties have caused this Agreement to be executed on the date first above written.

SELLER:

KKB, L.L.C., a Virginia limited liability
company

By:

Ron K. Bailey, Manager

CENTRAL INVESTMENTS, INC., a Virginia
corporation

Attest:

By:

Ron K. Bailey,
President

[signatures continue next page]

PURCHASER:

STRAYER UNIVERSITY, INC., a Maryland corporation

Attest:

By:

Steven A. McArthur,
Senior Vice President and General

Counsel

LIST OF EXHIBITS

Exhibit A	Description of DC Land
Exhibit B	Description of Woodbridge Land
Exhibit C	Description of Manassas Land
Exhibit D-1	Owner's Affidavit - DC
Exhibit D-2	Owner's Affidavit - Manassas
Exhibit D-3	Owner's Affidavit - Woodbridge
Exhibit E	Environmental Report
Exhibit F-1	FIRPTA Affidavit - DC
Exhibit F-2	FIRPTA Affidavit - Manassas and Woodbridge
Exhibit G-1	Special Warranty Deed - DC
Exhibit G-2	Special Warranty Deed - Manassas
Exhibit G-3	Special Warranty Deed - Woodbridge
Exhibit H-1	Bill of Sale - DC
Exhibit H-2	Bill of Sale - Manassas
Exhibit H-3	Bill of Sale - Woodbridge
Exhibit I-1	Assignment and Assumption Agreement - DC
Exhibit I-2	Assignment and Assumption Agreement - Manassas
Exhibit I-3 Woodbridge	Assignment and Assumption Agreement -

LIST OF SCHEDULES

Schedule 5.1.n Proffers

Schedule 9.3 Capital Repairs

- i -

EXHIBIT A
DESCRIPTION OF DC LAND

EXHIBIT B

DESCRIPTION OF WOODBRIDGE LAND

EXHIBIT C

DESCRIPTION OF MANASSAS LAND

EXHIBIT D-1

OWNER'S AFFIDAVIT - DC

**FIRST AMERICAN TITLE INSURANCE COMPANY
OWNER/SELLER AFFIDAVIT; FILE NO. NA 22807**

State of _____;
County of _____;

The undersigned Ron K. Bailey, President of Central Investments, Inc., a Virginia corporation ("the Owner"), has personal knowledge of the facts sworn to in this Affidavit and has the power and authority to execute this Affidavit on behalf of the Owner, being first duly sworn on oath, deposes and says;

That the Owner is the fee simple Owner of the property known and described as:

SEE EXHIBIT "A" ATTACHED HERETO

and as also described in First American Title Insurance Company Commitment No. (the "Premises").

That the Owner is a corporation and said corporation is in Good Standing in the Commonwealth of Virginia and is qualified to do business in the Commonwealth of Virginia, and that the Articles of Incorporation and By-Laws are still in full force and effect with no changes to the original Articles except by amendments already disclosed to this Company and no proceeding is pending for Owner's dissolution or annulment.

That all license, state franchise, and city and corporation taxes, if applicable, due and payable by Owner have been paid in full.

That no proceedings in Bankruptcy or receivership have been instituted by or against the Owner and the Owner has never made an assignment for the benefit of creditors.

That there is no action or proceeding now pending in any state or federal court in the United States to which the Owner is a party and which affects the Premises; nor is there any state or federal court judgment, state or federal tax lien, or any other state or federal lien of any nature against the Owner which may constitute a lien charge upon the Premises.

That the Owner's possession of the Premises has been peaceable and undisturbed, and that title to the Premises has never been disputed or questioned.

That there is no pending litigation or dispute regarding the lines and corners of the Premises.

That there are no delinquent real estate taxes or unpaid current real estate taxes; nor any pending or levied assessments on the Premises, including but not limited to those for sidewalks, streets, sewers and water lines.

That the Owner has not caused any work, services, or labor to be done, or any fixtures, apparatus or materials to be furnished, in connection with, or to, the said Premises, except such materials, fixtures, work, apparatus, labor or services as have been fully and completely paid for; that there is no claim or indebtedness to anyone for any labor, fixtures, apparatus, materials, services or work done to, upon, or in connection with the said Premises; that there is no mechanics lien claim against the Premises, whether of record or otherwise.

Except as set forth in the aforesaid Commitment, there are no unrecorded mortgages, improvement loans, chattel mortgages, conditional bills of sale, contracts of sale, (except that in connection with which this affidavit is given), security agreements, agreements not to sell or encumber, financing statements which affect the Premises or which affect any fixtures, appliances, or equipment now installed in or on the Premises.

That all tenants or parties who have leasehold or tenancy rights to occupy any portion of the Premises are those listed below and none of such parties has any right to the Premises other than its right as Tenant, nor any right of first refusal or option to purchase the Premises. (If there are no tenants or parties who have leasehold or tenancy rights, indicate "NONE" in the space provided below.)

Strayer University, Inc.

That the Owner is not a foreign person, foreign trust or other foreign entity as those terms are defined in or contemplated by Section 1445 of the Internal Revenue Code of 1986, as amended, and regulations promulgated pursuant thereto.

That the Federal taxpayer identification number of the Owner is 54-1707884.

That the address of the principal place of business of the Owner is in Virginia.

Owner: 6551 Loisdale Court, Suite 115 Springfield, Virginia 22150

EXHIBIT D-2

OWNER'S AFFIDAVIT - MANASSAS

**FIRST AMERICAN TITLE INSURANCE COMPANY
OWNER/SELLER AFFIDAVIT; FILE NO. NA 22807**

State of _____;
County of _____;

The undersigned Ron K. Bailey, Manager of KKB, L.L.C., a Virginia limited liability company ("the Owner"), has personal knowledge of the facts sworn to in this Affidavit and has the power and authority to execute this Affidavit on behalf of the Owner, being first duly sworn on oath, deposes and says;

That the Owner is the fee simple Owner of the property known and described as:

SEE EXHIBIT "A" ATTACHED HERETO

and as also described in First American Title Insurance Company Commitment No. (the "Premises").

That the Owner is a limited liability company and said limited liability company is in Good Standing in the Commonwealth of Virginia and is qualified to do business in the Commonwealth of Virginia, and that the Articles of Organization and Limited Liability Company Agreement are still in full force and effect with no changes to the original Articles except by amendments already disclosed to this Company and no proceeding is pending for Owner's dissolution or annulment.

That all license, state franchise, and city and corporation taxes, if applicable, due and payable by Owner have been paid in full.

That no proceedings in Bankruptcy or receivership have been instituted by or against the Owner and the Owner has never made an assignment for the benefit of creditors.

That there is no action or proceeding now pending in any state or federal court in the United States to which the Owner is a party and which affects the Premises; nor is there any state or federal court judgment, state or federal tax lien, or any other state or federal lien of any nature against the Owner which may constitute a lien charge upon the Premises.

That the Owner's possession of the Premises has been peaceable and undisturbed, and that title to the Premises has never been disputed or questioned.

That there is no pending litigation or dispute regarding the lines and corners of the Premises.

That there are no delinquent real estate taxes or unpaid current real estate taxes; nor any pending or levied assessments on the Premises, including but not limited to those for sidewalks, streets, sewers and water lines.

That the Owner has not caused any work, services, or labor to be done, or any fixtures, apparatus or materials to be furnished, in connection with, or to, the said Premises, except such materials, fixtures, work, apparatus, labor or services as have been fully and completely paid for; that there is no claim or indebtedness to anyone for any labor, fixtures, apparatus, materials, services or work done to, upon, or in connection with the said Premises; that there is no mechanics lien claim against the Premises, whether of record or otherwise.

Except as set forth in the aforesaid Commitment, there are no unrecorded mortgages, improvement loans, chattel mortgages, conditional bills of sale, contracts of sale, (except that in connection with which this affidavit is given), security agreements, agreements not to sell or encumber, financing statements which affect the Premises or which affect any fixtures, appliances, or equipment now installed in or on the Premises.

That all tenants or parties who have leasehold or tenancy rights to occupy any portion of the Premises are those listed below and none of such parties has any right to the Premises other than its right as Tenant, nor any right of first refusal or option to purchase the Premises. (If there are no tenants or parties who have leasehold or tenancy rights, indicate "NONE" in the space provided below.)

Strayer University, Inc.

That the Owner is not a foreign person, foreign trust or other foreign entity as those terms are defined in or contemplated by Section 1445 of the Internal Revenue Code of 1986, as amended, and regulations promulgated pursuant thereto.

That the Federal taxpayer identification number of the Owner is 54-1852024.

That the address of the principal place of business of the Owner is in Virginia.

Owner: 6551 Loisdale Court, Suite 115 Springfield, Virginia 22150

Witness the following signature and seal:

KKB, L.L.C., a Virginia limited liability company

By:

Ron K. Bailey, Manager

Subscribed and sworn to before me this _____, day of _____, 2002.

Notary Public

My Commission expires:

EXHIBIT D-3

OWNER'S AFFIDAVIT - WOODBRIDGE

**FIRST AMERICAN TITLE INSURANCE COMPANY
OWNER/SELLER AFFIDAVIT; FILE NO. NA 22807**

State of _____;
County of _____;

The undersigned Ron K. Bailey, Manager of KKB, L.L.C., a Virginia limited liability company ("the Owner"), has personal knowledge of the facts sworn to in this Affidavit and has the power and authority to execute this Affidavit on behalf of the Owner, being first duly sworn on oath, deposes and says;

That the Owner is the fee simple Owner of the property known and described as:

SEE EXHIBIT "A" ATTACHED HERETO

and as also described in First American Title Insurance Company Commitment No. (the "Premises").

That the Owner is a limited liability company and said limited liability company is in Good Standing in the Commonwealth of Virginia and is qualified to do business in the Commonwealth of Virginia, and that the Articles of Organization and Limited Liability Company Agreement are still in full force and effect with no changes to the original Articles except by amendments already disclosed to this Company and no proceeding is pending for Owner's dissolution or annulment.

That all license, state franchise, and city and corporation taxes, if applicable, due and payable by Owner have been paid in full.

That no proceedings in Bankruptcy or receivership have been instituted by or against the Owner and the Owner has never made an assignment for the benefit of creditors.

That there is no action or proceeding now pending in any state or federal court in the United States to which the Owner is a party and which affects the Premises; nor is there any state or federal court judgment, state or federal tax lien, or any other state or federal lien of any nature against the Owner which may constitute a lien charge upon the Premises.

That the Owner's possession of the Premises has been peaceable and undisturbed, and that title to the Premises has never been disputed or questioned.

That there is no pending litigation or dispute regarding the lines and corners of the Premises.

That there are no delinquent real estate taxes or unpaid current real estate taxes; nor any pending or levied assessments on the Premises, including but not limited to those for sidewalks, streets, sewers and water lines.

That the Owner has not caused any work, services, or labor to be done, or any fixtures, apparatus or materials to be furnished, in connection with, or to, the said Premises, except such materials, fixtures, work, apparatus, labor or services as have been fully and completely paid for; that there is no claim or indebtedness to anyone for any labor, fixtures, apparatus, materials, services or work done to, upon, or in connection with the said Premises; that there is no mechanics lien claim against the Premises, whether of record or otherwise.

Except as set forth in the aforesaid Commitment, there are no unrecorded mortgages, improvement loans, chattel mortgages, conditional bills of sale, contracts of sale, (except that in connection with which this affidavit is given), security agreements, agreements not to sell or encumber, financing statements which affect the Premises or which affect any fixtures, appliances, or equipment now installed in or on the Premises.

That all tenants or parties who have leasehold or tenancy rights to occupy any portion of the Premises are those listed below and none of such parties has any right to the Premises other than its right as Tenant, nor any right of first refusal or option to purchase the Premises. (If there are no tenants or parties who have leasehold or tenancy rights, indicate "NONE" in the space provided below.)

Strayer University, Inc.

That the Owner is not a foreign person, foreign trust or other foreign entity as those terms are defined in or contemplated by Section 1445 of the Internal Revenue Code of 1986, as amended, and regulations promulgated pursuant thereto.

That the Federal taxpayer identification number of the Owner is 54-1852024.

That the address of the principal place of business of the Owner is in Virginia.

Owner: 6551 Loisdale Court, Suite 115 Springfield, Virginia 22150

Witness the following signature and seal:

KKB, L.L.C., a Virginia limited liability company

By:

Ron K. Bailey, Manager

Subscribed and sworn to before me this _____, day of _____, 2002.

Notary Public

My Commission expires:

EXHIBIT E
ENVIRONMENTAL REPORT
[ATTACHED HERETO]

EXHIBIT F-1

FIRPTA AFFIDAVIT - DC

**CERTIFICATION WITH RESPECT TO
SECTION 1445 OF THE INTERNAL REVENUE CODE**

Section 1445 of the Internal Revenue Code provides that a transferee of a United States real property interest must withhold tax if the transferor is a foreign person.

To inform the Transferee, STRAYER UNIVERSITY, INC., of the United States real property interests described on Exhibit "A" attached hereto and made a part hereof, that withholding of tax is not required upon the disposition of a United States real property interest by the Transferor, CENTRAL INVESTMENTS, INC., the undersigned hereby certifies the following:

1. Transferor is not a nonresident alien for purposes of U.S. income taxation, foreign corporation, foreign partnership, foreign trust, foreign estate or foreign person (as such terms are defined in the Internal Revenue Code and Income Tax Regulations);
2. The Federal Tax Identification Number for CENTRAL INVESTMENTS, INC. is 54-1707884; and
3. Transferor's address is 6551 Loisdale Court, Suite 115, Springfield, Virginia 22150.

Transferor understands that this certification may be disclosed to the Internal Revenue Service by Transferee and that any false statement contained herein may be punished by fine, imprisonment, or both.

Under penalty of perjury, each of the undersigned declare that it has examined this certification and, to the best of such undersigned's knowledge and belief, it is true, correct and complete.

Date: _____, 2002

TRANSFEROR:

Virginia

CENTRAL INVESTMENTS, INC., a
corporation

Attest:

By:

Ron K. Bailey,
President

EXHIBIT A TO FIRPTA
Description of Land

EXHIBIT F-2

FIRPTA AFFIDAVIT - MANASSAS AND WOODBRIDGE

**CERTIFICATION WITH RESPECT TO
SECTION 1445 OF THE INTERNAL REVENUE CODE**

Section 1445 of the Internal Revenue Code provides that a transferee of a United States real property interest must withhold tax if the transferor is a foreign person.

To inform the Transferee, STRAYER UNIVERSITY, INC., of the United States real property interests described on Exhibits "A" and "B" attached hereto and made a part hereof, that withholding of tax is not required upon the disposition of a United States real property interest by the Transferor, KKB, L.L.C., the undersigned hereby certifies the following:

1. Transferor is not a nonresident alien for purposes of U.S. income taxation, foreign corporation, foreign partnership, foreign trust, foreign estate or foreign person (as such terms are defined in the Internal Revenue Code and Income Tax Regulations);
2. The Federal Tax Identification Number for KKB, L.L.C. is 54-1852024; and
3. Transferor's address is 6551 Loisdale Court, Suite 115, Springfield, Virginia 22150.

Transferor understands that this certification may be disclosed to the Internal Revenue Service by Transferee and that any false statement contained herein may be punished by fine, imprisonment, or both.

Under penalty of perjury, each of the undersigned declare that it has examined this certification and, to the best of such undersigned's knowledge and belief, it is true, correct and complete.

Date: _____, 2002

TRANSFEROR:

liability

KKB, L.L.C., a Virginia limited
company

By:

Ron K. Bailey,
Manager

EXHIBIT G-1

SPECIAL WARRANTY DEED - DC

This SPECIAL WARRANTY DEED is made as of January 31, 2002 by and between CENTRAL INVESTMENTS, INC., a Virginia corporation, having a principal address of 6551 Loisdale Court, Suite 115, Springfield, Virginia 22150 (the "GRANTOR") and STRAYER UNIVERSITY, INC., a Maryland corporation, having an address at c/o Strayer Education, Inc., 8550 Cinder Bed Road, Newington, Virginia 22122 (the "GRANTEE").

WITNESSETH:

That for and in consideration of the sum of Ten Dollars (\$10.00), the receipt of which is hereby acknowledged, Grantor does hereby grant with special warranty unto Grantee, in fee simple, the following described parcel of land and premises, situate in the District of Columbia and more particularly described on EXHIBIT A, attached hereto and incorporated herein by reference.

TOGETHER WITH all and singular the ways, easements, rights, privileges and appurtenances to the same belonging or in any way appertaining, and all the estate, right, title, interest and claim, either at law or in equity, or otherwise however of Grantor, of in, to, or out of said land and premises.

AND Grantor covenants that it will warrant specially the property hereby conveyed, and that it will execute such further assurances of said land as may be requisite.

IN TESTIMONY WHEREOF, Grantor, on the day and year first hereinabove written, has caused these presents to be executed on behalf of itself by its President and attested by its Secretary and acknowledges this Deed to be its act and deed.

GRANTOR

CENTRAL INVESTMENTS, INC., a Virginia corporation

Attest :

By :

Ron K. Bailey,
President

STATE OF _____)
)
SS:)
CITY OF _____)

I, _____, a Notary Public, do hereby certify that Ron K. Bailey, who is personally well known to me as (or proved by the oaths of credible witnesses to be) the person named as the President and attorney-in-fact of Central Investments, Inc. in the foregoing Special Warranty Deed bearing date as of the ____ day of _____, 2002, personally appeared before me and as President and attorney-in-fact as aforesaid, acknowledged the same to be the authorized and voluntary act and deed of Central Investments, Inc., a Virginia corporation, one of the parties thereto, and made oath that he is the President of and authorized attorney-in-fact for said corporation.

GIVEN under my hand and seal this ____ day of _____, 2002.

Notary Public

(SEAL)

My Commission Expires:

[SEAL]

EXHIBIT A TO SPECIAL WARRANTY DEED

Description of Land

EXHIBIT G-2

SPECIAL WARRANTY DEED - MANASSAS

This SPECIAL WARRANTY DEED is made as of January 31, 2002 by and between KKB, L.L.C., a Virginia limited liability company, having a principal address of 6551 Loisdale Court, Suite 115, Springfield, Virginia 22150 (the "GRANTOR") and STRAYER UNIVERSITY, INC., a Maryland corporation, having an address at c/o Strayer Education, Inc., 8550 Cinder Bed Road, Newington, Virginia 22122 (the "GRANTEE").

W I T N E S S E T H:

That for and in consideration of the sum of Ten Dollars (\$10.00), the receipt of which is hereby acknowledged, Grantor does hereby grant with special warranty unto Grantee, in fee simple, the following described parcel of land and premises, situate in the Commonwealth of Virginia and more particularly described on EXHIBIT A, attached hereto and incorporated herein by reference.

TOGETHER WITH all and singular the ways, easements, rights, privileges and appurtenances to the same belonging or in any way appertaining, and all the estate, right, title, interest and claim, either at law or in equity, or otherwise however of Grantor, of in, to, or out of said land and premises.

AND Grantor covenants that it will warrant specially the property hereby conveyed, and that it will execute such further assurances of said land as may be requisite.

IN TESTIMONY WHEREOF, Grantor, on the day and year first hereinabove written, has caused these presents to be executed on behalf of itself by its Manager and acknowledges this Deed to be its act and deed.

GRANTOR:

KKB, L.L.C., a Virginia limited liability
company

By:

Ron K. Bailey, Manager

ACKNOWLEDGMENT

STATE OF _____)) COUNTY OF _____)

I, _____, a Notary Public in and for the State and County aforesaid, do hereby certify that the foregoing instrument was acknowledged before me by Ron K. Bailey, Manager of KKB, L.L.C., a Virginia limited liability company, on behalf of the foregoing company.

GIVEN under my hand and seal this _____ day of _____, 2002.

Notary Public

My commission expires: _____

[SEAL]

EXHIBIT A TO SPECIAL WARRANTY DEED

Description of Land

EXHIBIT G-3

SPECIAL WARRANTY DEED - WOODBRIDGE

This SPECIAL WARRANTY DEED is made as of January 31, 2002 by and between KKB, L.L.C., a Virginia limited liability company, having a principal address of 6551 Loisdale Court, Suite 115, Springfield, Virginia 22150 (the "GRANTOR") and STRAYER UNIVERSITY, INC., a Maryland corporation, having an address at c/o Strayer Education, Inc., 8550 Cinder Bed Road, Newington, Virginia 22122 (the "GRANTEE").

WITNESSETH:

That for and in consideration of the sum of Ten Dollars (\$10.00), the receipt of which is hereby acknowledged, Grantor does hereby grant with special warranty unto Grantee, in fee simple, the following described parcel of land and premises, situate in the Commonwealth of Virginia and more particularly described on EXHIBIT A, attached hereto and incorporated herein by reference.

TOGETHER WITH all and singular the ways, easements, rights, privileges and appurtenances to the same belonging or in any way appertaining, and all the estate, right, title, interest and claim, either at law or in equity, or otherwise however of Grantor, of in, to, or out of said land and premises.

AND Grantor covenants that it will warrant specially the property hereby conveyed, and that it will execute such further assurances of said land as may be requisite.

IN TESTIMONY WHEREOF, Grantor, on the day and year first hereinabove written, has caused these presents to be executed on behalf of itself by its Manager and acknowledges this Deed to be its act and deed.

GRANTOR:

KKB, L.L.C., a Virginia limited liability
company

By:

Ron K. Bailey, Manager

ACKNOWLEDGMENT

STATE OF _____)) COUNTY OF _____)

I, _____, a Notary Public in and for the State and County aforesaid, do hereby certify that the foregoing instrument was acknowledged before me by Ron K. Bailey, Manager of KKB, L.L.C., a Virginia limited liability company, on behalf of the foregoing company.

GIVEN under my hand and seal this _____ day of _____, 2002.

Notary Public

My commission expires: _____

[SEAL]

EXHIBIT A TO SPECIAL WARRANTY DEED

Description of Land

EXHIBIT H-1

BILL OF SALE - DC

This BILL OF SALE is made as of January 31, 2002 by and between CENTRAL INVESTMENTS, INC., a Virginia corporation, having a principal address at 6551 Loisdale Court, Suite 115, Springfield, Virginia 22150 (the "SELLER") and STRAYER UNIVERSITY, INC., a Maryland corporation, having an address at c/o Strayer Education, Inc., 8550 Cinder Bed Road, Newington, Virginia 22122 (the "PURCHASER").

WHEREAS, Seller is the fee owner of the real property and improvements located thereon located at 1025 15th Street, N.W., Washington, D.C. 20005 and more particularly described on EXHIBIT "A" hereto (the "PROPERTY");

WHEREAS, Seller and Purchaser have entered into that certain Real Estate Purchase Agreement dated January 31, 2002 (the "PURCHASE AGREEMENT") for the sale and purchase of the Property;

WHEREAS, Seller simultaneously herewith is conveying its interest as fee owner in the Property to Purchaser; and

WHEREAS, pursuant to the Purchase Agreement, Seller desires to assign and convey to Purchaser all of Seller's right, title and interest in and to any personal property owned by Seller and used in connection with the ownership, management, operation, maintenance or repair of the Property (the "PERSONAL PROPERTY").

NOW THEREFORE, for and in consideration of Ten Dollars (\$10.00) and other good and valuable consideration, the receipt and sufficiency of which is hereby acknowledged, Seller hereby agrees as follows:

1. Seller does hereby grant, bargain, sell, convey, transfer, assign and deliver without warranty to Purchaser, its successors and assigns the Personal Property and all of Seller's right, title and interest therein.
2. This Bill of Sale shall bind Seller and its successors and assigns, and shall inure to the benefit of Purchaser, its successors and assigns.

IN WITNESS WHEREOF, Seller has caused this Bill of Sale to be executed as of the date first above written.

SELLER:

Virginia

CENTRAL INVESTMENTS, INC., a
corporation

Attest:

By:

Ron K. Bailey,
President

STATE OF _____)
)
SS:)
CITY OF _____)

I, _____, a Notary Public, do hereby certify that Ron K. Bailey, who is personally well known to me as (or proved by the oaths of credible witnesses to be) the person named as the President and attorney-in-fact of Central Investments, Inc. in the foregoing Bill of Sale bearing date as of the ____ day of _____, 2002, personally appeared before me and as President and attorney-in-fact as aforesaid, acknowledged the same to be the authorized and voluntary act and deed of Central Investments, Inc., a Virginia corporation, one of the parties thereto, and made oath that he is the President of and authorized attorney-in-fact for said corporation.

GIVEN under my hand and seal this ____ day of _____, 2002.

Notary Public

(SEAL)

My Commission Expires:

[SEAL]

EXHIBIT A TO BILL OF SALE

Description of Land

EXHIBIT H-2

BILL OF SALE - MANASSAS

This BILL OF SALE is made as of January 31, 2002 by and between KKB, L.L.C., a Virginia limited liability company, having a principal address at 6551 Loisdale Court, Suite 115, Springfield, Virginia 22150 (the "SELLER") and STRAYER UNIVERSITY, INC., a Maryland corporation, having an address at c/o Strayer Education, Inc., 8550 Cinder Bed Road, Newington, Virginia 22122 (the "PURCHASER").

WHEREAS, Seller is the fee owner of the real property and improvements located thereon located at 9990 Battleview Parkway, Manassas, Virginia 20101 and more particularly described on EXHIBIT "A" hereto (the "PROPERTY");

WHEREAS, Seller and Purchaser have entered into that certain Real Estate Purchase Agreement dated January 31, 2002 (the "PURCHASE AGREEMENT") for the sale and purchase of the Property;

WHEREAS, Seller simultaneously herewith is conveying its interest as fee owner in the Property to Purchaser; and

WHEREAS, pursuant to the Purchase Agreement, Seller desires to assign and convey to Purchaser all of Seller's right, title and interest in and to any personal property owned by Seller and used in connection with the ownership, management, operation, maintenance or repair of the Property (the "PERSONAL PROPERTY").

NOW THEREFORE, for and in consideration of Ten Dollars (\$10.00) and other good and valuable consideration, the receipt and sufficiency of which is hereby acknowledged, Seller hereby agrees as follows:

1. Seller does hereby grant, bargain, sell, convey, transfer, assign and deliver without warranty to Purchaser, its successors and assigns the Personal Property and all of Seller's right, title and interest therein.
2. This Bill of Sale shall bind Seller and its successors and assigns, and shall inure to the benefit of Purchaser, its successors and assigns.

IN WITNESS WHEREOF, Seller has caused this Bill of Sale to be executed as of the date first above written.

SELLER:

KKB, L.L.C., a Virginia limited liability
company

By:

Ron K. Bailey, Manager

ACKNOWLEDGMENT

STATE OF _____)
)
COUNTY OF _____)

I, _____, a Notary Public in and for the State and County aforesaid, do hereby certify that the foregoing instrument was acknowledged before me by Ron K. Bailey, Manager of KKB, L.L.C., a Virginia limited liability company, on behalf of the foregoing company.

GIVEN under my hand and seal this _____ day of _____, 2002.

Notary Public

My commission expires: _____

[SEAL]

EXHIBIT A TO BILL OF SALE

Description of Land

EXHIBIT H-3

BILL OF SALE - WOODBRIDGE

This BILL OF SALE is made as of January 31, 2002 by and between KKB, L.L.C., a Virginia limited liability company, having a principal address at 6551 Loisdale Court, Suite 115, Springfield, Virginia 22150 (the "SELLER") and STRAYER UNIVERSITY, INC., a Maryland corporation, having an address at c/o Strayer Education, Inc., 8550 Cinder Bed Road, Newington, Virginia 22122 (the "PURCHASER").

WHEREAS, Seller is the fee owner of the real property and improvements located thereon located at 13385 Minnieville Road, Woodbridge, Virginia 22192 and more particularly described on EXHIBIT "A" hereto (the "PROPERTY");

WHEREAS, Seller and Purchaser have entered into that certain Real Estate Purchase Agreement dated January 31, 2002 (the "PURCHASE AGREEMENT") for the sale and purchase of the Property;

WHEREAS, Seller simultaneously herewith is conveying its interest as fee owner in the Property to Purchaser; and

WHEREAS, pursuant to the Purchase Agreement, Seller desires to assign and convey to Purchaser all of Seller's right, title and interest in and to any personal property owned by Seller and used in connection with the ownership, management, operation, maintenance or repair of the Property (the "PERSONAL PROPERTY").

NOW THEREFORE, for and in consideration of Ten Dollars (\$10.00) and other good and valuable consideration, the receipt and sufficiency of which is hereby acknowledged, Seller hereby agrees as follows:

1. Seller does hereby grant, bargain, sell, convey, transfer, assign and deliver without warranty to Purchaser, its successors and assigns the Personal Property and all of Seller's right, title and interest therein.
2. This Bill of Sale shall bind Seller and its successors and assigns, and shall inure to the benefit of Purchaser, its successors and assigns.

IN WITNESS WHEREOF, Seller has caused this Bill of Sale to be executed as of the date first above written.

SELLER:

KKB, L.L.C., a Virginia limited liability
company

By:

Ron K. Bailey, Manager

ACKNOWLEDGMENT

STATE OF _____)) COUNTY OF _____)

I, _____, a Notary Public in and for the State and County aforesaid, do hereby certify that the foregoing instrument was acknowledged before me by Ron K. Bailey, Manager of KKB, L.L.C., a Virginia limited liability company, on behalf of the foregoing company.

GIVEN under my hand and seal this _____ day of _____, 2002.

Notary Public

My commission expires: _____

[SEAL]

EXHIBIT A TO BILL OF SALE

Description of Land

EXHIBIT I-1

ASSIGNMENT AND ASSUMPTION AGREEMENT - DC

This ASSIGNMENT AND ASSUMPTION AGREEMENT is made as of January 31, 2002 by and between CENTRAL INVESTMENTS, INC., a Virginia corporation, having a principal address at 6551 Loisdale Court, Suite 115, Springfield, Virginia 22150 (the "ASSIGNOR") and STRAYER UNIVERSITY, INC., a Maryland corporation, having an address at c/o Strayer Education, Inc., 8550 Cinder Bed Road, Newington, Virginia 22122 (the "ASSIGNEE").

WHEREAS, Assignor is the fee simple owner of the real property and improvements located thereon located at 1025 15th Street, N.W., Washington, D.C. 20005 and more particularly described on EXHIBIT "A" hereto (the "PROPERTY");

WHEREAS, Assignor and Assignee have entered into that certain Real Estate Purchase Agreement dated January 31, 2002 (the "PURCHASE AGREEMENT") for the sale and purchase of the Property;

WHEREAS, Assignor desires to assign and convey to Assignee and Assignee wishes to accept and assume (i) all assignable, unexpired manufacturers' warranties and guarantees, if any, with respect to any portion of the Property, or the improvements, fixtures and equipment to be transferred with the Property (the "WARRANTIES"); (ii) any and all plans and specifications for all improvements on the Property (the "PLANS AND SPECIFICATIONS"); (iii) all operating licenses, permits and approvals with respect to the Property (the "Licenses"); and (iv) any trade names and other intangible property used in connection with the repair, restoration, use occupancy, operation, management, ownership and leasing of the Property ("GENERAL INTANGIBLES"); and

WHEREAS, concurrently herewith, Assignor is conveying to Assignee all of Assignor's right, title and interest in and to the Property and desires to convey to Assignee all of Assignor's right, title and interest, if any, in and to the Warranties, the Plans and Specifications, the Licenses and the General Intangibles, to the extent that the same may be lawfully assigned.

NOW THEREFORE, for and in consideration of Ten Dollars (\$10.00) and other good and valuable consideration, the receipt and sufficiency of which is hereby acknowledged, Assignor hereby agrees as follows:

1. Assignor does hereby grant, bargain, sell, convey, transfer, assign and deliver to Assignee, its successors and assigns all of Assignor's right, title and interest, if any, in and to the Warranties, the Plans and Specifications and the General Intangibles.
2. Assignor does hereby grant, bargain, sell, convey, transfer, assign and deliver to Assignee, its successors and assigns all of Assignor's right, title and interest, if any, in and to the Licenses, to the extent that the same may be lawfully assigned.

3. Assignee hereby assumes all of the covenants and obligations required of the Landlord under the Warranties (if any).
4. This Assignment and Assumption Agreement shall bind and inure to the benefit of Assignor and Assignee and their respective successors and assigns.
5. This Assignment and Assumption Agreement shall be governed by the laws of the Commonwealth of Virginia.

IN WITNESS WHEREOF, Assignor and Assignee have caused this Assignment and Assumption Agreement to be executed as of the date first above written.

ASSIGNOR:

Virginia
Attest:

CENTRAL INVESTMENTS, INC., a
corporation
By:
Ron K. Bailey,
President

ASSIGNEE:

STRAYER UNIVERSITY, INC., a Maryland
corporation
Attest:

General

By:
Steven A. McArthur,
Senior Vice President and
Counsel

EXHIBIT A TO ASSIGNMENT AND ASSUMPTION AGREEMENT

Description of Land

EXHIBIT I-2

ASSIGNMENT AND ASSUMPTION AGREEMENT - MANASSAS

This ASSIGNMENT AND ASSUMPTION AGREEMENT is made as of January 31, 2002 by and between KKB, L.L.C., a Virginia limited liability company, having a principal address at 6551 Loisdale Court, Suite 115, Springfield, Virginia 22150 (the "ASSIGNOR") and STRAYER UNIVERSITY, INC., a Maryland corporation, having an address at c/o Strayer Education, Inc., 8550 Cinder Bed Road, Newington, Virginia 22122 (the "ASSIGNEE").

WHEREAS, Assignor is the fee simple owner of the real property and improvements located thereon located at 9990 Battleview Parkway, Manassas, Virginia 20101 and more particularly described on EXHIBIT "A" hereto (the "PROPERTY");

WHEREAS, Assignor and Assignee have entered into that certain Real Estate Purchase Agreement dated January 31, 2002 (the "PURCHASE AGREEMENT") for the sale and purchase of the Property;

WHEREAS, Assignor desires to assign and convey to Assignee and Assignee wishes to accept and assume (i) all assignable, unexpired manufacturers' warranties and guarantees, if any, with respect to any portion of the Property, or the improvements, fixtures and equipment to be transferred with the Property (the "WARRANTIES"); (ii) any and all plans and specifications for all improvements on the Property (the "PLANS AND SPECIFICATIONS"); (iii) all operating licenses, permits and approvals with respect to the Property (the "Licenses"); and (iv) any trade names and other intangible property used in connection with the repair, restoration, use occupancy, operation, management, ownership and leasing of the Property ("GENERAL INTANGIBLES"); and

WHEREAS, concurrently herewith, Assignor is conveying to Assignee all of Assignor's right, title and interest in and to the Property and desires to convey to Assignee all of Assignor's right, title and interest, if any, in and to the Warranties, the Plans and Specifications, the Licenses and the General Intangibles, to the extent that the same may be lawfully assigned.

NOW THEREFORE, for and in consideration of Ten Dollars (\$10.00) and other good and valuable consideration, the receipt and sufficiency of which is hereby acknowledged, Assignor hereby agrees as follows:

1. Assignor does hereby grant, bargain, sell, convey, transfer, assign and deliver to Assignee, its successors and assigns all of Assignor's right, title and interest, if any, in and to the Warranties, the Plans and Specifications and the General Intangibles.

2. Assignor does hereby grant, bargain, sell, convey, transfer, assign and deliver to Assignee, its successors and assigns all of Assignor's right, title and interest, if any, in and to the Licenses, to the extent that the same may be lawfully assigned.
3. Assignee hereby assumes all of the covenants and obligations required of the Landlord under the Warranties (if any).
4. This Assignment and Assumption Agreement shall bind and inure to the benefit of Assignor and Assignee and their respective successors and assigns.
5. This Assignment and Assumption Agreement shall be governed by the laws of the Commonwealth of Virginia.

IN WITNESS WHEREOF, Assignor and Assignee have caused this Assignment and Assumption Agreement to be executed as of the date first above written.

ASSIGNOR:

KKB, L.L.C., a Virginia limited liability
company

By:

Ron K. Bailey, Manager

ASSIGNEE:

STRAYER UNIVERSITY, INC., a Maryland
corporation

Attest:

By:

Steven A. McArthur,
Senior Vice President and General
Counsel

EXHIBIT A TO ASSIGNMENT AND ASSUMPTION AGREEMENT

Description of Land

EXHIBIT I-3

ASSIGNMENT AND ASSUMPTION AGREEMENT - WOODBRIDGE

This ASSIGNMENT AND ASSUMPTION AGREEMENT is made as of January 31, 2002 by and between KKB, L.L.C., a Virginia limited liability company, having a principal address at 6551 Loisdale Court, Suite 115, Springfield, Virginia 22150 (the "ASSIGNOR") and STRAYER UNIVERSITY, INC., a Maryland corporation, having an address at c/o Strayer Education, Inc., 8550 Cinder Bed Road, Newington, Virginia 22122 (the "ASSIGNEE").

WHEREAS, Assignor is the fee simple owner of the real property and improvements located thereon located at 13385 Minnieville Road, Woodbridge, Virginia 22192 and more particularly described on EXHIBIT "A" hereto (the "PROPERTY");

WHEREAS, Assignor and Assignee have entered into that certain Real Estate Purchase Agreement dated January 31, 2002 (the "PURCHASE AGREEMENT") for the sale and purchase of the Property;

WHEREAS, Assignor desires to assign and convey to Assignee and Assignee wishes to accept and assume (i) all assignable, unexpired manufacturers' warranties and guarantees, if any, with respect to any portion of the Property, or the improvements, fixtures and equipment to be transferred with the Property (the "WARRANTIES"); (ii) any and all plans and specifications for all improvements on the Property (the "PLANS AND SPECIFICATIONS"); (iii) all operating licenses, permits and approvals with respect to the Property (the "Licenses"); and (iv) any trade names and other intangible property used in connection with the repair, restoration, use occupancy, operation, management, ownership and leasing of the Property ("GENERAL INTANGIBLES"); and

WHEREAS, concurrently herewith, Assignor is conveying to Assignee all of Assignor's right, title and interest in and to the Property and desires to convey to Assignee all of Assignor's right, title and interest, if any, in and to the Warranties, the Plans and Specifications, the Licenses and the General Intangibles, to the extent that the same may be lawfully assigned.

NOW THEREFORE, for and in consideration of Ten Dollars (\$10.00) and other good and valuable consideration, the receipt and sufficiency of which is hereby acknowledged, Assignor hereby agrees as follows:

1. Assignor does hereby grant, bargain, sell, convey, transfer, assign and deliver to Assignee, its successors and assigns all of Assignor's right, title and interest, if any, in and to the Warranties, the Plans and Specifications and the General Intangibles.
2. Assignor does hereby grant, bargain, sell, convey, transfer, assign and deliver to Assignee, its successors and assigns all of Assignor's right, title and interest, if any, in and to the Licenses, to the extent that the same may be lawfully assigned.

3. Assignee hereby assumes all of the covenants and obligations required of the Landlord under the Warranties (if any).
4. This Assignment and Assumption Agreement shall bind and inure to the benefit of Assignor and Assignee and their respective successors and assigns.
5. This Assignment and Assumption Agreement shall be governed by the laws of the Commonwealth of Virginia.

IN WITNESS WHEREOF, Assignor and Assignee have caused this Assignment and Assumption Agreement to be executed as of the date first above written.

ASSIGNOR:

KKB, L.L.C., a Virginia limited liability
company

By:

Ron K. Bailey, Manager

ASSIGNEE:

STRAYER UNIVERSITY, INC., a Maryland
corporation

Attest:

By:

Steven A. McArthur,
Senior Vice President and General
Counsel

EXHIBIT A TO ASSIGNMENT AND ASSUMPTION AGREEMENT

Description of Land

SCHEDULE 5.1.N

PROFFERS

[ATTACHED HERETO]

SCHEDULE 9.3

CAPITAL REPAIRS

1. DC Property - Work related to elevator installation at campus, \$33,852.00.
2. DC Property - Repair to floors in mechanical rooms, \$7,379.00

EXHIBIT 21.01

Strayer University, Inc. is a Maryland corporation and wholly-owned subsidiary of Strayer Education, Inc.

Education Loan Processing, Inc. is a Virginia corporation and wholly-owned subsidiary of Strayer Education, Inc.

CONSENT OF INDEPENDENT ACCOUNTANTS

We hereby consent to the incorporation by reference in the Registration Statements on Form S-8 (No. 333-71182 and 333-71104) of Strayer Education, Inc. of our report dated February 1, 2002, relating to the consolidated financial statements and financial statement schedule, which appears in this Form 10-K.

LLP

/s/ PricewaterhouseCoopers

*Washington, D.C.
March 28, 2002*

End of Filing