

CAREER EDUCATION CORP
Form PREC14A
April 05, 2006

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

SCHEDULE 14A

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

Filed by the Registrant

Filed by a Party other than the Registrant

Check the appropriate box:

- Preliminary Proxy Statement
- Confidential, for Use of the Commission Only (as permitted by Rule 14a-6(e)(2))**
- Definitive Proxy Statement
- Definitive Additional Materials
- Soliciting Material Pursuant to §240.14a-12

CAREER EDUCATION CORPORATION

(Name of Registrant as Specified In Its Charter)

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

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- No fee required.
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CAREER EDUCATION CORPORATION
ANNUAL MEETING OF STOCKHOLDERS
May 18, 2006
NOTICE AND PROXY STATEMENT

Preliminary Proxy Materials Subject to Completion

April , 2006

Dear Stockholder:

On behalf of the Board of Directors, I cordially invite you to attend the 2006 Annual Meeting of Stockholders of Career Education Corporation to be held at the Chicago Marriott Northwest, 4800 Columbine Boulevard, Hoffman Estates, Illinois on May 18, 2006, at 3:00 p.m., Central Daylight Time. The formal notice of the Annual Meeting appears on the following page.

The attached Notice of Annual Meeting and Proxy Statement describe the matters that we expect to be acted upon at the Annual Meeting. During the Annual Meeting, stockholders will view a presentation by CEC's management and have the opportunity to ask questions.

Whether or not you plan to attend the Annual Meeting, it is important that your shares be represented. Regardless of the number of shares you own, please sign and date the enclosed proxy card and promptly return it to us in the enclosed postage paid envelope. If you sign and return your proxy card without specifying your choices, your shares will be voted in accordance with the recommendations of the Board of Directors contained in the Proxy Statement.

We look forward to seeing you on May 18, 2006, and urge you to return your WHITE PROXY CARD as soon as possible.

Sincerely,

JOHN M. LARSON
*Chairman, President
and Chief Executive Officer*

**NOTICE OF ANNUAL MEETING OF STOCKHOLDERS
TO BE HELD ON MAY 18, 2006**

To the Stockholders of
Career Education Corporation:

The Annual Meeting of Stockholders of Career Education Corporation will be held at 3:00 p.m., Central Daylight Time, on Thursday, May 18, 2006, at the Chicago Marriott Northwest, 4800 Columbine Boulevard, Hoffman Estates, Illinois, for the following purposes:

- (1) To elect three directors to CEC's Board of Directors;
- (2) To vote on CEC's proposal to amend CEC's Amended and Restated Certificate of Incorporation to declassify its Board of Directors;
- (3) To vote on CEC's proposal to amend CEC's Amended and Restated Certificate of Incorporation to permit stockholders holding at least sixty-six and two-thirds percent ($66\frac{2}{3}\%$) of the voting power of shares entitled to vote at an election of directors to call a special meeting of stockholders;
- (4) To ratify the appointment by the Audit Committee of the Board of Directors of Ernst & Young LLP as the independent auditors of CEC's financial statements for the year ending December 31, 2006; and
- (5) To transact such other business as may properly come before the meeting or any adjournments thereof.

The Board of Directors has fixed the close of business on March 21, 2006, as the record date for determining stockholders entitled to notice of, and to vote at, the meeting. Please contact Georgeson Shareholder Communications Inc. toll-free at (888) 206-5970 should you have any questions regarding voting or to request another copy of CEC's Annual Report to Stockholders, Annual Report on Form 10-K, Proxy Statement or WHITE PROXY CARD.

By order of the Board of Directors,

JANICE L. BLOCK
*Senior Vice President, Chief Legal Officer and
Corporate Secretary*

Hoffman Estates, Illinois
April , 2006

All stockholders are urged to attend the meeting in person or by proxy. Whether or not you expect to be present at the meeting, please complete, sign and date the enclosed WHITE PROXY CARD and return it promptly in the enclosed postage paid envelope furnished for that purpose.

Career Education Corporation
2895 Greenspoint Parkway
Suite 600
Hoffman Estates, Illinois 60195
(847) 781-3600

PROXY STATEMENT

Why did I receive these proxy materials?

We are providing these proxy materials in connection with the solicitation by the Board of Directors of Career Education Corporation, a Delaware corporation ("CEC," the "Company," "we," "us" or "our"), of proxies to be voted at our 2006 Annual Meeting of Stockholders and at any adjournment or postponements thereof.

You are invited to attend our 2006 Annual Meeting of Stockholders on May 18, 2006, beginning at 3:00 p.m., Central Daylight Time. The Annual Meeting will be held at the Chicago Marriott Northwest, 4800 Columbine Boulevard, Hoffman Estates, Illinois.

This Notice of Annual Meeting of Stockholders, Proxy Statement and accompanying form of proxy are being mailed to stockholders starting on or about April 10, 2006.

Who is entitled to vote at the Annual Meeting?

Holders of CEC common stock as of the close of business on March 21, 2006 (the "Record Date") are entitled to receive notice of, and to vote at, the Annual Meeting or any adjournments thereof. As of the Record Date, CEC had outstanding 98,139,223 shares of Common Stock, par value \$0.01 per share (the "Common Stock"). Each of the outstanding shares of Common Stock is entitled to one vote on all matters to come before the Annual Meeting.

Who can attend the Annual Meeting?

All stockholders as of the Record Date, or their duly appointed proxies, may attend the Annual Meeting. Stockholders will be admitted to the Meeting beginning at 2:30 p.m., Central Daylight Time. Seating will be limited.

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

You will need to present proof of your ownership of Common Stock, such as a bank or brokerage account statement, and a form of personal identification to be admitted to the Annual Meeting.

No cameras, recording equipment, electronic devices, large bags, briefcases or packages will be permitted in the Annual Meeting.

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

If your shares are registered directly in your name with CEC's transfer agent, Computershare Investor Services LLC, you are considered, with respect to those shares, a "stockholder of record." The Notice of Annual Meeting of Stockholders, Proxy Statement and accompanying form of proxy have been sent directly to you by CEC.

If your shares are held in a stock brokerage account or by a bank or other holder of record, you are considered the "beneficial owner" of shares held in street name. The Notice of Annual Meeting of Stockholders, Proxy Statement and accompanying form of proxy have been forwarded to you by your broker, bank or other holder of record who is considered, with respect to those shares, the stockholder of record. As the beneficial owner, you have the right to direct your broker, bank or other holder of

record on how to vote your shares by using the voting instruction card included in the mailing or by following their instructions for voting by telephone or on the Internet.

What constitutes a quorum?

The required quorum for transaction of business at the Annual Meeting will be a majority of the shares issued and outstanding as of the Record Date. Votes cast by proxy or in person at the Annual Meeting will be tabulated by the election inspector appointed for the meeting and will determine whether or not a quorum is present.

What are the Board of Director's recommendations with respect to each proposal?

The Board of Directors recommends that you:

vote FOR all of the Board of Director's nominees for election as directors;

vote FOR the proposal to declassify CEC's Board of Directors;

vote FOR the proposal to permit stockholders holding at least sixty-six and two-thirds percent ($66\frac{2}{3}\%$) of the voting power of shares entitled to vote at an election of directors to call a special meeting of stockholders; and

vote FOR the ratification of the appointment of Ernst & Young LLP as the independent auditors of CEC's financial statements for the year ending December 31, 2006.

What should I do with a proxy card I may receive from certain of the Company's stockholders?

On February 16, 2006, the Company received a notice from R. Steven Bostic announcing his intention to nominate three candidates for election as directors at the Annual Meeting and to deliver a proxy statement and/or a form of proxy to holders of at least the percentage of shares of Common Stock required to elect his nominees and/or otherwise solicit proxies from the Company's stockholders in support of such nomination. On February 21, 2006, Mr. Bostic issued a press release announcing his intention to nominate himself, James E. Copeland, Jr. and R. William Ide III for election as directors at the Annual Meeting. CEC's Board of Directors expects that Mr. Bostic will deliver a proxy statement and form of proxy to the Company's stockholders.

The Board of Directors recommends that you sign, date and return the WHITE PROXY CARD or voting instruction card.

What vote is required to approve each proposal?

Election of Directors. A plurality of the shares of Common Stock voted in person or by proxy is required to elect three directors at the Annual Meeting. Effective February 2, 2006, the Company's Board of Directors approved and adopted the Second Amended and Restated By-laws of the Company, amending and restating the Company's Amended and Restated By-laws to change the required vote for the election of directors from a plurality to a majority of votes cast in uncontested elections, while retaining plurality voting when the number of nominees exceeds the number of directors to be elected. On February 16, 2006, the Company received a notice from R. Steven Bostic announcing his intention to nominate three candidates for election as directors at the Annual Meeting and to deliver a proxy statement and/or a form of proxy to holders of at least the percentage of shares of Common Stock required to elect his nominees and/or otherwise solicit proxies from the Company's stockholders in support of such nomination. As specified in "Proposal 1 Election of Directors" below, only three directors are to be elected at the Annual Meeting. The nomination of three directors by Mr. Bostic increases the number of nominees for election as Class II directors to six (three nominees nominated by the

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Company's Board of Directors and three nominees nominated by Mr. Bostic). Therefore, a plurality of the shares of Common Stock voted in person or by proxy is required to elect three directors at the Annual Meeting. If, however, Mr. Bostic withdraws his nominees in advance of the Annual Meeting, the required vote for the election of directors at the Annual Meeting will be a majority of votes cast. Each stockholder will be entitled to vote the number of shares of Common Stock held as of the Record Date by such stockholder for the number of directors to be elected. Stockholders will not be allowed to cumulate their votes in the election of directors.

Declassification of the Board of Directors. The affirmative vote of the holders of at least eighty percent (80%) of the outstanding shares of Common Stock represented in person or by proxy is required to approve and adopt the proposal to amend CEC's Amended and Restated Certificate of Incorporation to declassify CEC's Board of Directors.

Permit Stockholders to Call a Special Meeting. The affirmative vote of the holders of at least eighty percent (80%) of the outstanding shares of Common Stock represented in person or by proxy is required to approve and adopt the proposal to amend CEC's Amended and Restated Certificate of Incorporation to permit stockholders holding at least sixty-six and two-thirds percent (66²/₃%) of the voting power of shares entitled to vote at an election of directors to call a special meeting of stockholders.

Ratification of Auditors. The affirmative vote of a majority of the shares of Common Stock represented in person or by proxy is required to ratify the appointment by the Audit Committee of the Board of Directors of Ernst & Young LLP as the independent auditors of CEC's financial statements for the year ending December 31, 2006.

How do I vote?

You may vote using any of the following methods:

By Mail

Complete, sign and date the WHITE PROXY CARD and return it in the prepaid envelope. Each executed and returned WHITE PROXY CARD or voting instruction card will be voted in accordance with the directions indicated thereon, or if no direction is indicated, such proxy will be voted in accordance with the recommendations of the Board of Directors contained in this Proxy Statement.

If you are a stockholder of record, and the prepaid envelope is missing, please mail your completed proxy card to Career Education Corporation c/o Georgeson Shareholder Communications Inc., 17 State Street, 10th Floor, New York, NY 10004.

In person at the Annual Meeting

If you attend the Annual Meeting, you may deliver your completed WHITE PROXY CARD in person, or you may vote in person. If you hold your shares in a stock brokerage account or by a bank or other holder of record, you will not be able to vote in person at the Annual Meeting unless you have previously requested and obtained a "legal proxy" from your bank, broker or other nominee and present it at the Annual Meeting.

Your vote is important. You can save us the expense of a second mailing by voting promptly.

Please contact Georgeson Shareholder Communications Inc. toll-free at (888) 206-5970 should you have any questions regarding voting or to request another copy of this Proxy Statement or the WHITE PROXY CARD.

Who are the persons selected by CEC's Board of Directors to serve as proxies?

John M. Larson and Patrick K. Pesch, the persons named as proxies on the WHITE PROXY CARD or voting instruction card accompanying this Proxy Statement, were selected by the Board of Directors to serve in such capacity. Mr. Larson is the Chairman, President and Chief Executive Officer of the Company, and Mr. Pesch is the Executive Vice President, Chief Financial Officer, Treasurer, Assistant Secretary and Director of the Company.

Who will count the vote?

At the Annual Meeting, the results of stockholder voting will be tabulated by IVS Associates, Inc., the independent inspector of elections appointed by CEC for the meeting.

Will abstentions and broker non-votes affect the voting results?

The election inspector will treat abstentions and broker non-votes as shares that are present and entitled to vote for purposes of determining the presence of a quorum but as unvoted for purposes of determining the approval of any matter submitted to the stockholders for a vote.

Broker non-votes are proxies received by CEC from brokers or nominees when the broker or nominee has neither received instructions from the beneficial owner or other persons entitled to vote nor has discretionary power to vote on a particular matter. Pursuant to the rules of the New York Stock Exchange, brokers do not have discretionary authority to vote shares held in "street name" on non-routine matters, including a contested election of directors, without your instructions. Accordingly, stockholders are advised to forward their voting instructions promptly so as to afford brokers sufficient time to process such instructions.

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

Yes. Even after you have submitted your proxy, you may change your vote at any time before the proxy is exercised by filing with CEC's Corporate Secretary either a notice of revocation or a duly executed proxy bearing a later date. If you vote in person at the Annual Meeting, your proxy will be revoked. However, attendance at the Annual Meeting will not by itself revoke a previously granted proxy. For shares held in "street name," you may revoke your previously-granted proxy by submitting new voting instructions to your bank, broker or other nominee or contacting the person responsible for your account and instructing that person to execute on your behalf the WHITE PROXY CARD as soon as possible.

Could other matters be decided at the Annual Meeting?

Yes. At the date of this Proxy Statement, we did not know of any matters to be raised at the Annual Meeting other than those referred to in this Proxy Statement. If any other items or matters properly come before the Annual Meeting, the proxies received will be voted on those items or matters in accordance with the discretion of the proxy holders.

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

Yes. A list of stockholders entitled to vote at the Annual Meeting, arranged in alphabetical order, showing the address of, and number of shares registered in the name of, each stockholder, will be open to the examination of any stockholder, for any purpose germane to the Annual Meeting, during ordinary business hours, commencing May 8, 2006, and continuing through the date of the Annual Meeting, at the principal offices of CEC, 2895 Greenspoint Parkway, Suite 600, Hoffman Estates, Illinois 60195.

What is "householding" and how does it affect me?

In accordance with notices sent to beneficial stockholders sharing a single address, we are sending only one Annual Report to Stockholders, Form 10-K and Proxy Statement to that address unless we received contrary instructions from any beneficial stockholder at that address. This "householding" practice reduces our printing and postage costs. However, if a beneficial stockholder at such an address wishes to receive a separate Annual Report to Stockholders, Form 10-K or Proxy Statement this year or in the future, he or she may contact us at (847) 585-3899 or may write to us at Investor Relations, Career Education Corporation, 2895 Greenspoint Parkway, Suite 600, Hoffman Estates, IL 60195.

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

CEC's Form 10-K and Annual Report to Stockholders for the year ended December 31, 2005, containing financial and other information pertaining to CEC, are being furnished to stockholders with this Proxy Statement. The Notice of Annual Meeting of Stockholders, Proxy Statement, Form 10-K and Annual Report to Stockholders, are available on the Company's website at www.careered.com under the caption "Investor Relations."

**PROPOSAL 1
ELECTION OF DIRECTORS**

CEC's Board of Directors consists of nine directors. Article V of CEC's Amended and Restated Certificate of Incorporation, as amended, provides that the Board of Directors shall be classified with respect to the terms for which its members shall hold office by dividing the members into three classes. If the proposal to approve and adopt the Restated Certificate of Incorporation is approved by stockholders at the Annual Meeting, resulting in the declassification of CEC's Board of Directors as more fully described beginning on page 28 of this Proxy Statement, all nominees will serve for one year terms expiring at CEC's 2007 Annual Meeting of Stockholders. If the Restated Certificate of Incorporation is not approved by stockholders, three Class II directors will be elected, each for a term of three years expiring at CEC's 2009 Annual Meeting of Stockholders. Each of the nominees is presently serving as a director of CEC. The Board of Directors recommends that the stockholders vote in favor of the election of the nominees named in this Proxy Statement to serve as directors of CEC. See "Nominees" below.

The six directors whose terms of office do not expire in 2006 will continue to serve after the Annual Meeting until such time as their respective terms of office expire or their successors are duly elected and qualified. See "Other Directors" below.

If at the time of the Annual Meeting any of the Board of Director's nominees should be unable or decline to serve, the persons named as proxies on the proxy card will vote for such substitute nominee or nominees as the Board of Directors recommends, or vote to allow the vacancy created thereby to remain open until filled by the Board of Directors, as the Board of Directors recommends. The Board of Directors has no reason to believe that any of the nominees will be unable or decline to serve as a director if elected.

NOMINEES

The names of the nominees for the office of director, together with certain information concerning such nominees, are set forth below:

Name	Age	Position With Company	Served as Director Since
Patrick W. Gross	61	Director	2005
Steven H. Lesnik	65	Director	2006
Keith K. Ogata(1)	51	Director	1998

(1) Member of the Audit Committee and the Nominating and Governance Committee.

Patrick W. Gross has been a Director of CEC since December 2005. Mr. Gross has served as Chairman of The Lovell Group, a private business and technology advisory and investment firm, since 2002. Mr. Gross is a founder of, and served as principal executive officer from 1970 to 2002 at American Management Systems, Inc. (AMS), a computer applications software and systems integration firm. He became chairman of AMS' executive committee in 1982. He has served as chairman of the board of several companies owned by private equity firms. In addition, he served as vice chairman of Youth for Understanding International Exchange and serves on the board of the All Kinds of Minds Institute, a non-profit organization assisting students who struggle with learning. Mr. Gross is a director of Capital One Financial Corporation and Mobius Management Systems, Inc. He attended Cornell University and received a Bachelor in Engineering Science from Rensselaer Polytechnic Institute. Mr. Gross also earned a Master's of Science in Engineering from the University of Michigan, and Master's of Business Administration from the Stanford Graduate School of Business.

Steven H. Lesnik has been a director of CEC since February 2006. Mr. Lesnik has served as Chairman and Chief Executive Officer of KemperSports Inc., an Illinois-based company that develops, owns, leases and manages golf facilities as well as athletic clubs and lodging venues nationwide, and is engaged in marketing communications. Mr. Lesnik co-founded KemperSports Inc. with James S. Kemper, Jr. in 1977. From 1968 to 1979, he held numerous positions at Kemper Insurance Companies, including vice president. Mr. Lesnik is actively committed to education, having served as Chairman of the Illinois Board of Higher Education, as a visiting lecturer at Northwestern University, and as a Director of the Illinois Math & Science Academy Foundation. Mr. Lesnik received a Bachelor of Arts degree from Brown University.

Keith K. Ogata has been a Director of CEC since January 1998. Mr. Ogata is currently president of, and a private investor in, 3-K Financial Corporation, a private investment company. From 1996 to 1998, Mr. Ogata served as President of National Education Centers, Inc., a subsidiary of National Education Corporation. From 1990 to 1998, he served as Vice President, Chief Financial Officer and Treasurer of National Education Corporation, with responsibility for finance, accounting, treasury, tax, mergers and acquisitions, human resources, investor and public relations and information systems.

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

OTHER DIRECTORS

The following persons will continue to serve as directors of CEC after the Annual Meeting until their terms of office expire (as indicated below) or until their successors are elected and qualified. Wallace O. Laub, who had served as a Director of CEC since 1994, resigned from the Board of Directors for health reasons effective February 13, 2006.

Name	Age	Position With Company	Served as Director Since	Term Expires
Dennis H. Chookaszian(1)(2)	62	Director	2002	2008
Robert E. Dowdell(3)	60	Lead Director	1994	2008
Thomas B. Lally(1)(2)(3)	62	Director	1998	2007
John M. Larson	54	Chairman, President, Chief Executive Officer and Director	1994	2007
Patrick K. Pesch	49	Executive Vice President, Chief Financial Officer, Treasurer, Assistant Secretary and Director	1995	2008
Leslie T. Thornton	47	Director	2005	2007

- (1) Member of the Audit Committee.
- (2) Member of the Nominating and Governance Committee.
- (3) Member of the Compensation Committee.

Dennis H. Chookaszian has been a Director of CEC since October 2002. Mr. Chookaszian was formerly the Chairman and Chief Executive Officer of CNA Financial Corporation ("CNA"). During his 25-year career with CNA, Mr. Chookaszian held several management positions at the business unit and corporate levels. In 1992, he was named Chairman and Chief Executive Officer of CNA Insurance Companies and in 1999 he became Chairman of the executive committee of CNA. Mr. Chookaszian retired from CNA in 2001. From 1999 until 2001, Mr. Chookaszian served as Chairman and Chief Executive Officer of mPower, Inc., a financial advice provider focused on the management of 401(k) plans online. Mr. Chookaszian is a director of Sapient Corporation, a business and technology consultancy, Insweb Corporation, an on-line insurance provider and Chicago Mercantile Exchange Holdings Inc. Mr. Chookaszian received certification as a public accountant in 1971.

Robert E. Dowdell has been the Lead Director since July 2004 and a Director of CEC since its inception in January 1994. Mr. Dowdell served as Chief Executive Officer and as a director of Marshall & Swift, L.P., a web-hosted software application company, from 1989 until his retirement in January 2006. From 1984 to 1988, Mr. Dowdell served as President of National Education Centers, Inc., a subsidiary of National Education Corporation, Inc. Mr. Dowdell is also the General Partner of RGD Partners, L.P., an investment business, and Chairman of Roof Express, L.P., a software business. Mr. Dowdell received a Bachelor's of Business Administration in Accounting and a Master's of Business Administration from the University of Notre Dame. Mr. Dowdell received certification as a public accountant in 1974.

Thomas B. Lally has been a Director of CEC since January 1998. Prior to his retirement in October 2001, Mr. Lally was the President of Heller Equity Capital Corporation ("HECC") since August 1995, an Executive Vice President of Heller Financial, Inc. ("HFI") and Chairman of HFI's Executive Credit Committee since April 1995, with direct responsibility for the asset quality oversight of HFI's portfolio of loan and equity investments. Mr. Lally joined HFI in 1974.

John M. Larson has served as President, Chief Executive Officer and a Director of CEC since its inception in January 1994 and as Chairman since January 2000. From July 1993 until CEC's formation, Mr. Larson served as a consultant to HECC, working with HECC to establish CEC. From January through May 1993, Mr. Larson served as the Eastern Regional Operating Manager of Educational

Medical, Inc., a provider of career-oriented post-secondary education. From 1989 until November 1992, Mr. Larson served as the Senior Vice President of College Operations of Phillips Colleges, Inc., overseeing a nationwide system of 58 schools, which offered a wide range of academic programs. From March through September 1989, he served as Senior Vice President of Operations for the Geneva Companies, a mergers and acquisitions firm. From 1980 to 1989, Mr. Larson was Vice President of Marketing at National Education Centers, Inc., a subsidiary of National Education Corporation, where he managed the entire admissions program, including marketing and advertising efforts, with a team of approximately 500 employees. Mr. Larson has also served in marketing positions with DeVry Inc., at its Chicago and Kansas City campuses. Mr. Larson received a Bachelor's of Science in Business Administration from the University of California at Berkeley and has completed the Executive Management Program at Stanford University. In 2000, Mr. Larson was named the Ernst & Young Entrepreneur of the Year of the Illinois and Northwestern Indiana region in the service category.

Patrick K. Pesch has been a Director of CEC since 1995. Mr. Pesch has served as Chief Financial Officer and Treasurer of CEC since October 1999 and as Assistant Secretary since April 2005. In addition, Mr. Pesch served as Secretary of CEC from May 2000 until April 2005, and as Executive Vice President of CEC since May 2001. From October 1999 until May 2000, Mr. Pesch served as Assistant Secretary of CEC, and from October 1999 until May 2001, he served as Senior Vice President of CEC. From 1992 until joining CEC, Mr. Pesch served as a Senior Vice President of HFI and also as an officer of HECC, managing a portfolio of loan and equity investments. Mr. Pesch joined HFI in 1985 as head of the internal audit function and served in a number of positions, including senior credit officer for Heller Corporate Finance. Previously, he was an audit manager with Arthur Young & Company (currently Ernst & Young). Mr. Pesch received a Bachelor of Science of Commerce degree from DePaul University and is a certified public accountant.

Leslie T. Thornton has been a director of CEC since December 2005. Ms. Thornton has served as a partner with the law firm of Dickstein Shapiro Morin & Oshinsky, LLP in Washington D.C. since 2004, and as a partner with the law firm of Patton Boggs, LLP from 2000 to 2004. Beginning with the Presidential Transition of 1992, Ms. Thornton worked with U.S. Secretary of Education Richard W. Riley until 2000, first as Deputy Chief of Staff and Counselor, and then as Chief of Staff at the U.S. Department of Education (DOE). During her nearly eight years at the DOE, Ms. Thornton advised the secretary on all DOE matters, served as the liaison between the Secretary and the White House on policy, political, ethics, personnel and other issues; supervised the higher education administrative appeals process for the Secretary; and helped implement President Clinton's education initiatives. In addition to her work at the DOE, Ms. Thornton founded the Educational Equity Institute and Capitol Education Fund, organizations dedicated to improving educational access and opportunity. She holds a law degree from Georgetown University and a Bachelor of Arts degree from the University of Pennsylvania.

Director Compensation During 2005, each non-employee director of CEC (the "Outside Directors") was paid an annual fee of \$18,000 for their services as directors (other than Mr. Gross and Ms. Thornton who joined the Board in December 2005), \$1,000 for each Board of Directors meeting attended and \$500 for each Board Committee meeting attended. Each Committee chairman received an additional fee of \$500 per Committee meeting attended. In addition, each Outside Director, with the exception of Messrs. Gross and Lesnik and Ms. Thornton, was granted stock options to purchase 24,000 shares of Common Stock at the closing price of the Common Stock as quoted on The NASDAQ National Market (the "Closing Price") on May 20, 2005, the date of last year's annual stockholders meeting. Each of Mr. Gross and Ms. Thornton was granted stock options to purchase 24,000 shares of Common Stock at the Closing Price of the Common Stock, on the date of their appointment to the Board of Directors, or December 23, 2005, and December 22, 2005, respectively. Mr. Lesnik was granted stock options to purchase 18,000 shares of Common Stock at the Closing Price of the Common Stock on February 14, 2006, the date of his appointment to the Board of Directors. Each Outside

Director will also be granted an option to purchase 24,000 shares of Common Stock on the date of each regular annual stockholders meeting thereafter if such director is elected at such meeting to serve as an Outside Director or continues to serve as an Outside Director. One-third of the options granted to Outside Directors vest on the grant date and on each of the first two anniversaries of the grant date. All options granted to Outside Directors are, once vested, exercisable for ten years. All Outside Directors are also reimbursed for their reasonable out-of-pocket expenses incurred in attending Board of Directors and Committee meetings.

Meetings During the year ended December 31, 2005, the Board of Directors held twenty-seven (27) meetings. Each director, with the exception of Mr. Laub, attended at least 75% of the aggregate number of Board of Directors meetings held during which time they served as a director and the total number of Committee meetings on which he or she served that were held during 2005. Directors are expected to attend the Annual Meeting, absent unusual circumstances. Each member of the Board of Directors who served as a director at the time of the 2005 Annual Meeting, with the exception of Mr. Laub, attended the 2005 Annual Meeting. Mr. Laub did not attend at least 75% of the aggregate number of Board of Directors meetings and Committee meetings and the 2005 Annual Meeting for health reasons. Mr. Laub resigned from the Board of Directors for health reasons effective February 13, 2006.

Committees of the Board of Directors The Board of Directors has established an Audit Committee, a Compensation Committee and a Nominating and Governance Committee, each comprised entirely of directors who are "independent" as that concept is defined in the corporate governance listing requirements applicable to companies whose securities are listed on The NASDAQ National Market (referred to herein as the "NASDAQ listing standards"). The members of the Audit Committee are Messrs. Ogata (Chairman), Chookaszian and Lally. The members of the Compensation Committee are Messrs. Dowdell (Chairman) and Lally. Mr. Laub served on the Compensation Committee until his resignation from the Board of Directors effective February 13, 2006. The members of the Nominating and Governance Committee are Messrs. Lally (Chairman), Chookaszian and Ogata. Mr. Laub served on the Nominating and Governance Committee until his resignation from the Board of Directors effective February 13, 2006.

The Audit Committee generally has direct responsibility for the appointment, compensation, retention and oversight of the work of any independent auditors. The Audit Committee also has responsibility for the selection of the independent auditors, the review of the plan and scope of the annual audit, the review of CEC's audit and control functions, the review and pre-approval of audit and permissible non-audit services, periodic reports to the full Board of Directors regarding all of the foregoing and carrying out the other responsibilities set forth in its charter. The Audit Committee is comprised solely of Directors who meet all the independence standards for audit committee members, as set forth in the Sarbanes-Oxley Act of 2002, and the NASDAQ listing standards. The Board of Directors has determined that each of Mr. Chookaszian and Mr. Ogata is an "audit committee financial expert," as that term is defined in the SEC rules adopted pursuant to the Sarbanes-Oxley Act. During the year ended December 31, 2005, the Audit Committee held fifteen (15) meetings. See "Report of the Audit Committee of the Board of Directors."

The Compensation Committee generally has responsibility for recommending to the Board of Directors guidelines and standards relating to the determination of executive compensation, reviewing CEC's executive compensation policies and reporting to the Board of Directors regarding the foregoing. The Compensation Committee also has responsibility for administering CEC's stock option plans, determining the number of options to be granted to CEC's employees and consultants pursuant to the plans, determining the number of options to be granted to our executive officers pursuant to such plans and reporting to the Board of Directors regarding the foregoing. During the year ended December 31, 2005, the Compensation Committee held three (3) meetings. See "Report of the Compensation Committee of the Board of Directors."

The Nominating and Governance Committee generally has responsibility for identifying candidates who are eligible under the qualification standards set forth in the CEC's Corporate Governance Guidelines to serve as members of the Board of Directors. It also makes recommendations to the Board of Directors concerning the structure and membership of other Board committees. The Nominating and Governance Committee is also charged with considering matters of corporate governance generally and reviewing and recommending to the Board, periodically, CEC's corporate governance principles. During the year ended December 31, 2005, the Nominating and Governance Committee held six (6) meetings.

Corporate Governance Guidelines In October 2004, the Board of Directors adopted Corporate Governance Guidelines to assist the Board of Directors in fulfilling its responsibility to exercise its business judgment to act in what it believes to be the best interest of CEC's stockholders. The Board of Directors revised the Corporate Governance Guidelines in August 2005, to clarify that (1) the Nominating and Governance Committee does not have any specific minimum qualifications that must be met by a Nominating and Governance Committee or stockholder-recommended candidate for the Board of Directors, and (2) it is CEC's policy that directors seek approval from the Chairman of the Board of Directors and the Chairperson of the Nominating and Governance Committee in advance of accepting an invitation to serve on the board of another public company. The Corporate Governance Guidelines, as revised, are posted on the Company's website, www.careered.com, under the caption "Investor Relations."

Lead Director The Outside Directors have designated Robert E. Dowdell as the Lead Director. In his capacity as Lead Director, Mr. Dowdell presides at all executive sessions of the Outside Directors. Executive sessions are held at least two times per year.

Code of Ethics and Code of Business Conduct and Ethics In October 2003, the Board of Directors adopted a Code of Ethics that is specifically applicable to its executive officers and senior financial officers, including its principal executive officer, its principal financial officer, its principal accounting officer and controller. The Code of Ethics is posted on the Company's website, www.careered.com, under the caption "Investor Relations." CEC has also adopted a revised Code of Business Conduct and Ethics in order to promote honest and ethical conduct and compliance with the laws and governmental rules and regulations to which the Company is subject. The revised Code of Business Conduct and Ethics is applicable to all of CEC's employees, officers and directors, and is posted on the Company's website, www.careered.com, under the caption "Investor Relations."

Nominating Procedures As described above, the Company has a standing Nominating and Governance Committee and its charter is posted on the Company's website, www.careered.com, under the caption "Investor Relations."

The Nominating and Governance Committee considers many factors when considering candidates for the Board and strives for the Board to be comprised of directors with a variety of experience and backgrounds, who have high-level managerial experience in a complex organization, and who represent the balanced interest of stockholders as a whole rather than those of special interest groups. Other important factors in Board composition include strength of character, mature judgment, specialized expertise, relevant technical skills, diversity, level of education, broad-based business acumen, experience and understanding of strategy and policy-setting and the extent to which the candidate would fill a present need on the Board. Depending upon the current needs of the Board, certain factors may be weighed more or less heavily by the Nominating and Governance Committee. The Nominating and Governance Committee's most-recently identified candidates have, in the cases of Mr. Lesnik and Ms. Thornton, possessed significant experience with state or federal education regulatory agencies, respectively, as well as, in the case of Mr. Gross, a strong background in information technology.

In considering candidates for the Board, the Nominating and Governance Committee considers the entirety of each candidate's credentials and does not have any specific minimum qualifications that must be met by a Nominating and Governance Committee or stockholder-recommended nominee. However, the Nominating and Governance Committee does believe that all members of the Board should have the highest character and integrity, a reputation for working constructively with others, sufficient time to devote to Board matters, and no conflict of interest that would interfere with performance as a director. In the case of current Directors being considered for renomination, the Nominating and Governance Committee will also take into account the director's history of attendance at meetings of the Board of Directors or its committees, the Director's tenure as a member of the Board of Directors, and the Director's preparation for and participation in such meetings.

The Nominating and Governance Committee considers candidates for the Board from any reasonable source, including stockholder recommendations. In May 2005, the Company announced its plans to expand the size of the Board to nine directors. Three additional directors were appointed to the Board in December 2005 and January 2006. The Company did not receive any director nominations from shareholders during this May 2005 through January 2006 time period. In addition, the Nominating and Governance Committee did not receive any stockholder-recommended candidates pursuant to, and within the timeframes set forth in, Section 2.4 of the Company's By-laws for its consideration as nominees for election as directors at the 2006 Annual Meeting. Instead, the Company received a notice from R. Steven Bostic in February 2006 announcing his intention to nominate three candidates for election as directors at the Annual Meeting and to deliver a proxy statement and/or a form of proxy to holders of at least the percentage of shares of Common Stock required to elect his nominees and/or otherwise solicit proxies from the Company's stockholders in support of such nomination. Mr. Bostic did not, however, recommend his three candidates to the Nominating and Governance Committee for its consideration. The Nominating and Governance Committee does not evaluate candidates differently based on who has made the proposal. The Nominating and Governance Committee has the authority under its charter to hire and pay a fee to consultants or search firms to assist in the process of identifying and evaluating candidates. Candidates are recommended to the Board of Directors after consultation with the Chairman of the Board.

In May 2005, the Board of Directors engaged Russell Reynolds Associates to identify and assist in evaluating potential candidates to fill the two independent director positions created as a result of the Board's decision in May 2005, to bring the Board's size to the nine-member maximum established in CEC's Amended and Restated Certificate of Incorporation. Both of the directors who joined the Board of Directors in December 2005, Mr. Gross and Ms. Thornton, and the director who joined the Board of Directors in February 2006, Mr. Lesnik, were identified by Russell Reynolds Associates.

Stockholders who wish to suggest qualified candidates should write to the Office of the Secretary, Career Education Corporation, 2895 Greenspoint Parkway, Suite 600, Hoffman Estates, Illinois 60195, specifying the name of the candidates and stating in detail the qualifications of such persons for consideration by the Nominating and Governance Committee. A written statement from the candidate consenting to be named as a candidate and, if nominated and elected, to serve as a director should accompany any such recommendation. Stockholders who wish to nominate a director for election at an annual meeting of the stockholders of the Company must comply with the Company's By-laws regarding stockholder proposals and nominations. See "Proposals of Stockholders" contained herein.

Communications with the Board of Directors Stockholders or other interested parties may communicate with the Board of Directors by sending a letter to CEC Board of Directors, c/o The Office of the Secretary, Career Education Corporation, 2895 Greenspoint Parkway, Suite 600, Hoffman Estates, Illinois 60195. The Office of the Secretary will receive the correspondence and forward it to the Director or Directors to whom the communication is addressed. From time to time, the Board of Directors may change the process by means of which stockholders may communicate with the Board or its members. Please refer to CEC's website, www.careered.com, for any changes in this process.

EXECUTIVE OFFICERS

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

Name	Age	Position
Janice L. Block	43	Senior Vice President, Chief Legal Officer and Corporate Secretary
Stephen C. Fireng	37	President, University Division
Jacob P. Gruver	51	President, Academy and College Divisions
Paul R. Ryan	55	President, Culinary and Health Education Divisions
Kenneth D. Shore	46	President, Gibbs Division
Steven B. Sotraidis	59	Executive Vice President, Administration
Todd H. Steele	43	President, International and Startup Divisions, Executive Vice President, Strategic Planning and Development

Janice L. Block has served as Senior Vice President, Chief Legal Officer and Corporate Secretary of CEC since April 2005. From February 2004 until joining CEC, Ms. Block was a partner in the law firm of Greenberg Traurig, LLP. Ms. Block served as an independent consultant to Microsoft Corporation from 2002 to 2004, and as Microsoft Corporation's Central Regional Counsel from 1998 until 2002. Ms. Block received a Bachelor of Arts degree, *magna cum laude*, from Princeton University, a Master of Science degree in Journalism from Northwestern University, and a Juris Doctor degree from Columbia University School of Law.

Stephen C. Fireng has served as President of the University Division since September 2005. Mr. Fireng formerly served as President of the Online Education Group between February 2005, and January 2006, Senior Vice President of Marketing and Admissions of the Online Education Group between June 2003 and January 2005, Vice President of Marketing and Admissions of the Online Education Group between September 2001 and June 2003, CEC's National Director of Admissions between October 2000 and September 2001, CEC's Regional Director of Admissions between October 1999 and October 2000, and Director of Admissions at Collins College between May 1996 and October 1999. Mr. Fireng held positions including Placement Director and Admissions Advisor at Collins College from June 1991 until joining CEC upon its acquisition by CEC in 1994. Mr. Fireng received a Bachelor of Science degree in Business Administration from Northern Arizona University.

Jacob P. Gruver has served as Group President of the Academy Division since October 2005 and as Group President of the Colleges Division since January 2004. Mr. Gruver formerly served as Group President of the University Division between January 2004 and August 2005, and as President of the Colleges, Schools and Universities Group of CEC between January 2003 and January 2004. Prior to this, Mr. Gruver served as Executive Vice President of Operations of CEC between May 2001 and January 2003, Senior Vice President of Operations of CEC from October 1999 until May 2001, and as a Managing Director of CEC between May 1997 and October 1999. From August 1994 until May 1997, Mr. Gruver served as the Director of Finance for CEC. From 1989 until joining the corporate management team at CEC, Mr. Gruver was Vice President and Controller of Wyoming Technical Institute in Laramie, Wyoming. From 1978 until 1989, Mr. Gruver audited career-oriented schools and other clients at a regional public accounting firm. Mr. Gruver received a Bachelor of Science degree in Accounting from National College and is a certified public accountant.

Paul R. Ryan has served as Group President of the Culinary Division since October 2003 and Group President of the Health Education Division since October 2004. Mr. Ryan formerly served as Group President of the Academy Division between October 2003 and October 2005 and as Senior Vice President of Operations for the Colleges, Schools and Universities Group since April 2003. From October 2001 to April 2003, Mr. Ryan was the Vice President and Managing Director of the Culinary Division. From March 2000 to October 2001, Mr. Ryan was the President of California Culinary

Academy. Before joining CEC in 2000, Mr. Ryan was the Vice President of Food and Beverage Operations for the Promus Hotel Corporation from November 1997 to December 1999. Mr. Ryan received an Associate's degree in Hotel Administration from Allegheny College and also served in the United States Army in Vietnam.

Kenneth D. Shore has served as Group President of the Gibbs Division since September 2004. Mr. Shore previously served as Managing Director of the Startup Division between November 2002 and September 2004, and Campus President of Orlando Culinary Academy between early 2002 and November 2002. Before joining CEC in 2002, Mr. Shore served as General Manager of The Yarrow Resort Hotel and Conference Center, a resort owned and operated by Hart Hotels, Inc., the Hilton Hotel in Salt Lake City, Utah and the Doubletree Guest Suites in Tucson, Arizona. Mr. Shore received an Associate of Applied Science degree in Culinary Arts from Culinary Institute of America and served in the United States Coast Guard.

Steven B. Sotraidis has served as Executive Vice President of Administration of CEC since January 2003. Mr. Sotraidis previously served as Senior Vice President of Operations of CEC between May 2001 and January 2003, Vice President of Operations of CEC between November 1999 and May 2001, and a Managing Director of CEC between July 1997 and November 1999. Prior to joining CEC, Mr. Sotraidis was President of Brooks College, a CEC school located in Long Beach, California. Mr. Sotraidis joined Brooks College in 1970 and had managed Brooks' overall operations from 1975 until 1997. Mr. Sotraidis received a Bachelor of Science degree in Psychology and completed two years of graduate work in Industrial Psychology at California State University at Long Beach.

Todd H. Steele has served as President of International and Startup Divisions since October 2003, and has served as Executive Vice President of Strategic Planning and Development of CEC since January 2003. Mr. Steele previously served as Senior Vice President of Strategic Planning and Development of CEC between May 2001 and January 2003, Vice President of Strategic Planning and Development of CEC between November 1999 and May 2001, and Director of Strategic Planning and Development of CEC between March 1998 and November 1999. Mr. Steele served as a member of CEC's Board of Directors from CEC's inception in January 1994 until he joined CEC as a full-time employee in March 1998. From December 1996 until joining CEC, Mr. Steele served as a Vice President of Baker, Fentress & Co., an investment company, making equity investments in private companies. From May 1990 until November 1996, he served as a Vice President of HFI and HECC, also making equity investments in private companies. Mr. Steele received a Bachelor of Arts degree in Economics from Northwestern University and a Master's of Business Administration in Finance from the University of Chicago.

The Board of Directors elects officers annually and such officers serve at the discretion of the Board of Directors, subject, in the case of Mr. Larson, to the terms of his employment agreement. Mr. Larson is the only officer with an employment agreement with CEC. See "Executive Compensation Employment Agreements." There are no family relationships among any of the directors or officers of CEC.

Section 16(a) Beneficial Ownership Reporting Compliance Section 16 of the Securities Exchange Act of 1934, as amended (the "Exchange Act"), requires CEC's officers (as defined under Section 16), directors and persons who beneficially own greater than 10% of a registered class of CEC's equity securities to file reports of ownership and changes in ownership with the Securities and Exchange Commission (the "Commission"). Based solely on a review of the forms it has received and on written representations from certain reporting persons that no such forms were required for them, CEC believes that, during 2005 all Section 16 filing requirements applicable to its officers, directors and greater than 10% beneficial owners were complied with by such persons, except for one inadvertent late report filed by Mr. Pesch on February 14, 2006, to report the October 12, 2005, transfer of 4,000 shares from Robert C. Pesch Declaration of Trust dated February 20, 1992, as amended, for which Mr. Pesch serves as Successor Co-Trustee and Co-Executor, to Robert Pesch Marital Trust dated October 23, 1998, for which Mr. Pesch serves as Co-Trustee.

EXECUTIVE COMPENSATION

The following table provides information concerning the annual and long-term compensation for services in all capacities to CEC for the years ended December 31, 2005, 2004 and 2003, to our chief executive officer and to our next four most highly compensated executive officers (collectively, the "Named Officers").

Summary Compensation Table

Name and Principal Position	Year	Annual Compensation		Long-Term Compensation Awards	All other compensation (\$)(3)
		Salary	Bonus(1)	Securities Underlying Options(#)(2)	
John M. Larson <i>Chairman, President and Chief Executive Officer</i>	2005	\$ 990,000	\$ 990,000	150,000	\$ 48,620
	2004	900,000	900,000	150,000	13,239
	2003	750,000	762,500	150,000	12,179
Stephen C. Fireng <i>President, University Division</i>	2005	\$ 337,039	\$ 562,592	75,000	\$ 569
	2004	228,333	339,167	16,000	1,194
	2003	187,917	250,167	16,000	6,348
Patrick K. Pesch <i>Executive Vice President, Chief Financial Officer, Treasurer and Assistant Secretary</i>	2005	\$ 425,000	\$ 318,795	75,000	\$ 9,643
	2004	400,000	240,000	60,000	9,634
	2003	360,000	366,000	80,000	9,233
Todd H. Steele <i>President of International and Startup Divisions, Executive Vice President of Strategic Planning and Development</i>	2005	\$ 365,000	\$ 239,000	50,000	\$ 9,192
	2004	335,000	312,500	45,000	8,992
	2003	280,000	293,000	48,000	8,656
Jacob P. Gruver <i>President, Academy and College Divisions</i>	2005	\$ 410,000	\$ 178,462	30,000	\$ 10,286
	2004	390,000	245,000	40,000	8,256
	2003	360,000	291,000	40,000	9,233

- (1) Bonuses earned in respect of one year are paid during the next year. For example, the bonuses indicated as earned in respect of 2005 were paid in March of 2006.
- (2) All option amounts have been adjusted to reflect our 2-for-1 stock split effected in the form of stock dividends in August 2003.
- (3) Amounts reflect both (i) CEC's contribution made in the form of a match on amounts contributed by the Named Officers in CEC's 401(k) plan and (ii) insurance premiums paid for term life insurance, for the years 2005, 2004 and 2003:

	401(k) Matching Amounts			Term Life Insurance Premiums		
	2005	2004	2003	2005 (1)	2004	2003
Mr. Larson	\$ 8,400	\$ 8,200	\$ 8,000	\$ 40,220	\$ 5,039	\$ 4,179
Mr. Fireng		733	5,975	569	461	373

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	401(k) Matching Amounts			Term Life Insurance Premiums		
Mr. Pesch	8,400	8,200	8,000	1,243	1,434	1,233
Mr. Steele	8,400	8,200	8,000	792	792	656
Mr. Gruver	8,400	6,113	8,000	1,886	2,143	1,233

(1)

The amount reported for Mr. Larson includes \$2,670 for insurance premiums paid for term life insurance, and \$37,550 for insurance premiums paid by CEC on behalf of Mr. Larson.

Option Grants in 2005

The following table contains information concerning the grant of stock options by us to our Named Officers during 2005.

Name	Number of Shares Underlying Options Granted(#) (1)	Percentage of Total Options Granted to Employees in Fiscal Year	Exercise or Base price (\$/Sh)	Expiration Date	Potential Realizable Value at Assumed Annual Rates of Stock price Appreciation for Option Term(2)	
					5%(\$)	10%(\$)
John M. Larson	150,000	8.1%	\$ 34.70	5/19/15	\$ 3,273,397	\$ 8,295,430
Stephen C. Fireng	40,000	2.2%	40.56	1/31/15	1,020,319	2,585,688
Stephen C. Fireng	35,000	1.9%	34.70	5/19/15	763,793	1,935,600
Patrick K. Pesch	75,000	4.0%	34.70	5/19/15	1,636,698	4,147,715
Todd H. Steele	50,000	2.7%	34.70	5/19/15	1,091,132	2,765,143
Jacob P. Gruver	30,000	1.6%	34.70	5/19/15	654,679	1,659,086

(1)

These options were granted under the Career Education Corporation 1998 Employee Incentive Compensation Plan and each of these options is a non-qualified stock option and vests in four equal annual installments on each of the first four anniversaries of the grant date.

(2)

Potential realizable value is presented net of the option exercise price, but before any federal or state income taxes associated with exercise, and is calculated assuming that the fair market value on the date of the grant appreciates at the indicated annual rates, compounded annually, for the term of the option. The 5% and 10% assumed rates of appreciation are mandated by the rules of the Commission and do not represent our estimate or projection of future increases in the price of our Common Stock. Actual gains are dependent on the future performance of our Common Stock and the option holder's continued employment throughout the vesting periods. The amounts reflected in the table may not necessarily be achieved.

Aggregated Option Exercises in 2005 and Year-End 2005 Option Values The following table provides information regarding each of the Named Officer's option exercises during 2005 and unexercised options at December 31, 2005.

Aggregated Option Exercises in 2005 and Year-End 2005 Option Values

Name	Shares acquired on Exercise(#)	Value Realized(\$)	Number of Securities Underlying Unexercised Options at Year-End 2005(#)		Value of Unexercised In-The-Money Options at Year-End 2005\$(1)	
			Exercisable	Unexercisable(2)	Exercisable	Unexercisable
John M. Larson			2,102,000	300,000	\$ 44,929,809	\$ 1,201,875
Stephen C. Fireng			58,100	90,500	601,299	129,523
Patrick K. Pesch			625,500	147,500	11,923,319	553,588
Todd H. Steele			324,000	98,000	5,703,644	384,600
Jacob P. Gruver			244,500	102,500	4,379,628	553,588

(1)

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The value per option is calculated by subtracting the exercise price per option from the closing price of the Common Stock on The NASDAQ National Market on December 30, 2005, of \$33.72.

(2)

On December 15, 2005, CEC accelerated the vesting of all outstanding, unvested stock options with a per share exercise price greater than \$32.63 (the market closing price of our common stock as of December 31, 2005) that were previously awarded to its employees, including its executive officers, and directors during 2003 and 2004 under our equity compensation plans, such that all such options became immediately exercisable.

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Employment Agreements CEC and CEC Employee Group, LLC, a wholly-owned subsidiary of CEC, entered into an employment agreement dated August 1, 2000 with John M. Larson. The term of the agreement, pursuant to its terms, has been automatically extended by one year beginning on January 1, 2002 and on each succeeding January 1st thereafter. The term will continue to be extended by one year on January 1st of each year unless CEC or Mr. Larson provides written notice of termination. The current term of the agreement is through December 31, 2007. The agreement provides for an initial annual base salary of \$450,000 plus bonus compensation based upon annual quantitative and qualitative performance targets as established by the Board of Directors. The agreement provides for the payment of two years' salary and average bonus and a continuation of benefits for two years following Mr. Larson's termination of employment with us, other than termination by us for Cause or termination by Mr. Larson without Good Reason. The agreement also provides for the payment of three years' salary and average bonus and a continuation of benefits for three years following Mr. Larson's termination of employment with us in anticipation of a change of control or after a change of control. In the event that any payment by CEC to Mr. Larson is subject to the excise tax imposed by Section 4999 of the Internal Revenue Code of 1986, as amended (the "Code"), then Mr. Larson shall be entitled to receive an additional payment in an amount such that after payment by Mr. Larson of all applicable taxes, Mr. Larson retains an amount equal to the amount he would have retained had no excise tax been imposed. The agreement also prohibits Mr. Larson from disclosing confidential information and from engaging in activities competitive with CEC for a period which includes the term of his employment with CEC or service as one of CEC's directors and continues for two years thereafter. However, if Mr. Larson's employment with CEC is terminated by CEC in anticipation of a change of control or after a change of control and CEC pays three years' salary and average bonus, the non-competition period extends to three years after the termination of employment.

**REPORT OF THE COMPENSATION COMMITTEE
OF THE BOARD OF DIRECTORS**

The Compensation Committee of the Board of Directors (the "Compensation Committee") is comprised solely of "independent" directors, as that term is defined in the NASDAQ listing standards, as well as under Rule 16b-3 of the Exchange Act and Section 162(m) of the Internal Revenue Code. The Compensation Committee establishes CEC's compensation strategy and policies and determines the nature and amount of all compensation for CEC's executive officers. The objectives of the Board of Directors in determining the levels and components of executive and key employee compensation are to (i) attract, motivate and retain talented and dedicated executive officers and other key employees, (ii) provide executive officers and other key employees with both cash and equity incentives to further the interests of CEC and its stockholders and (iii) compensate executive officers and other key employees at levels comparable to those of other comparable companies. The Compensation Committee retained Mercer Human Resource Consulting to review its compensation program in 2003 to ensure that it (i) aligns compensation with responsibility, (ii) provides for a competitive sharing of future increases in stockholder value with key executives and employees and (iii) is consistent with CEC's strategic and financial goals. Generally, the compensation of all executive officers and other key employees is composed of a base salary plus targeted bonuses based upon achievement of specified goals. In addition, stock options are granted to provide the opportunity for compensation based upon the performance of the Common Stock over time.

In determining the base salaries of the executive officers in 2005, the Board of Directors considered the performance of each executive, the nature of the executive's responsibilities, the salary levels of executives at comparable publicly-held companies (based in part on a review of compensation data provided by Mercer Human Resource Consulting as well as proxy data of other similar companies), and CEC's general compensation practices. Based on these criteria, effective March 1, 2006, the base salary of Mr. Larson was increased from \$990,000 to \$1,035,000, the base salary of Mr. Fireng was increased from \$355,000 to \$400,000, the base salary of Mr. Pesch was increased from \$425,000 to \$440,000, the base salary of Mr. Steele was increased from \$365,000 to \$385,000, and the base salary of Mr. Gruver was increased from \$410,000 to \$420,000. The base salaries of the executive officers are effective until changed at the discretion of the Compensation Committee.