

The 3R_s

Recognize • Redefine • Reach



The 3R_S

Recognize • Redefine • Reach

Mike Graham



**EXECUTIVE VICE PRESIDENT
AND CHIEF FINANCIAL OFFICER
CAREER EDUCATION CORPORATION**

March 18, 2008

© Career Education Corporation 2008

Safe Harbor

Except for the historical and present factual information contained herein, the matters set forth in this presentation, including statements identified by words such as "anticipate," "believe," "plan," "expect," "intend," "project," "will," and similar expressions, are forward-looking statements as defined in Section 21E of the Securities Exchange Act of 1934, as amended. These statements are based on information currently available to us and are subject to various risks, uncertainties and other factors that could cause our actual growth, results of operations, performance and business prospects, and opportunities to differ materially from those expressed in, or implied by, these statements. Except as expressly required by the federal securities laws, we undertake no obligation to update such factors or to publicly announce the results of any of the forward-looking statements contained herein to reflect future events, developments, or changed circumstances or for any other reason. These risks and uncertainties, the outcome of which could materially and adversely affect our financial condition and operations, include, but are not limited to, the following: risks associated with unfavorable changes in the cost or availability of financing, including alternative loans, for our students; potential higher bad debt expense or reduced revenue associated with requiring students to pay more of their educational expenses while in school; increased competition; the effectiveness of our regulatory compliance efforts; future financial and operational results, including the impact of the impairment of goodwill and other intangible assets; risks related to our ability to comply with accrediting agency requirements or obtain accrediting agency approvals; risks related to our ability to comply with, and the impact of changes in, legislation and regulations that affect our ability to participate in student financial aid programs; costs, risks, and effects of legal and administrative proceedings and investigations and governmental regulations, and class action and other lawsuits; costs, risks and uncertainties associated with our company-wide restructuring, including risks and uncertainties associated with changes in management and reporting responsibilities; costs and difficulties related to the integration of acquired businesses; risks related to our ability to manage and continue growth; risks related to the sale or teach-out of any campuses; risks related to general economic conditions including credit market conditions and other risk factors relating to our industry and business and the factors discussed in our Annual Report on Form 10-K for the year ended December 31, 2007, and from time to time in our other reports filed with the Securities and Exchange Commission.

Non-GAAP Financial Information

The Company has included some non-GAAP financial measures in this presentation to discuss the Company's financial results. As a general matter, the Company uses these non-GAAP measures in addition to and in conjunction with results presented in accordance with GAAP. Among other things, the Company may use such non-GAAP financial measures in addition to and in conjunction with corresponding GAAP measures, to help analyze the performance of its core business, in connection with the preparation of annual budgets, and in measuring performance for some forms of compensation. In addition, the Company believes that non-GAAP financial information is used by analysts and others in the investment community to analyze the Company's historical results and in providing estimates of future performance and that failure to report these non-GAAP measures could result in confusion among analysts and others and a misplaced perception that the Company's results have underperformed or exceeded expectations.

These non-GAAP financial measures reflect an additional way of viewing aspects of the Company's operations that, when viewed with the GAAP results and the reconciliations to corresponding GAAP financial measures, provide a more complete understanding of the Company's results of operations and the factors and trends affecting the Company's business. However, these non-GAAP measures should be considered as a supplement to, and not as a substitute for, or superior to, the corresponding measures calculated in accordance with GAAP.

Agenda

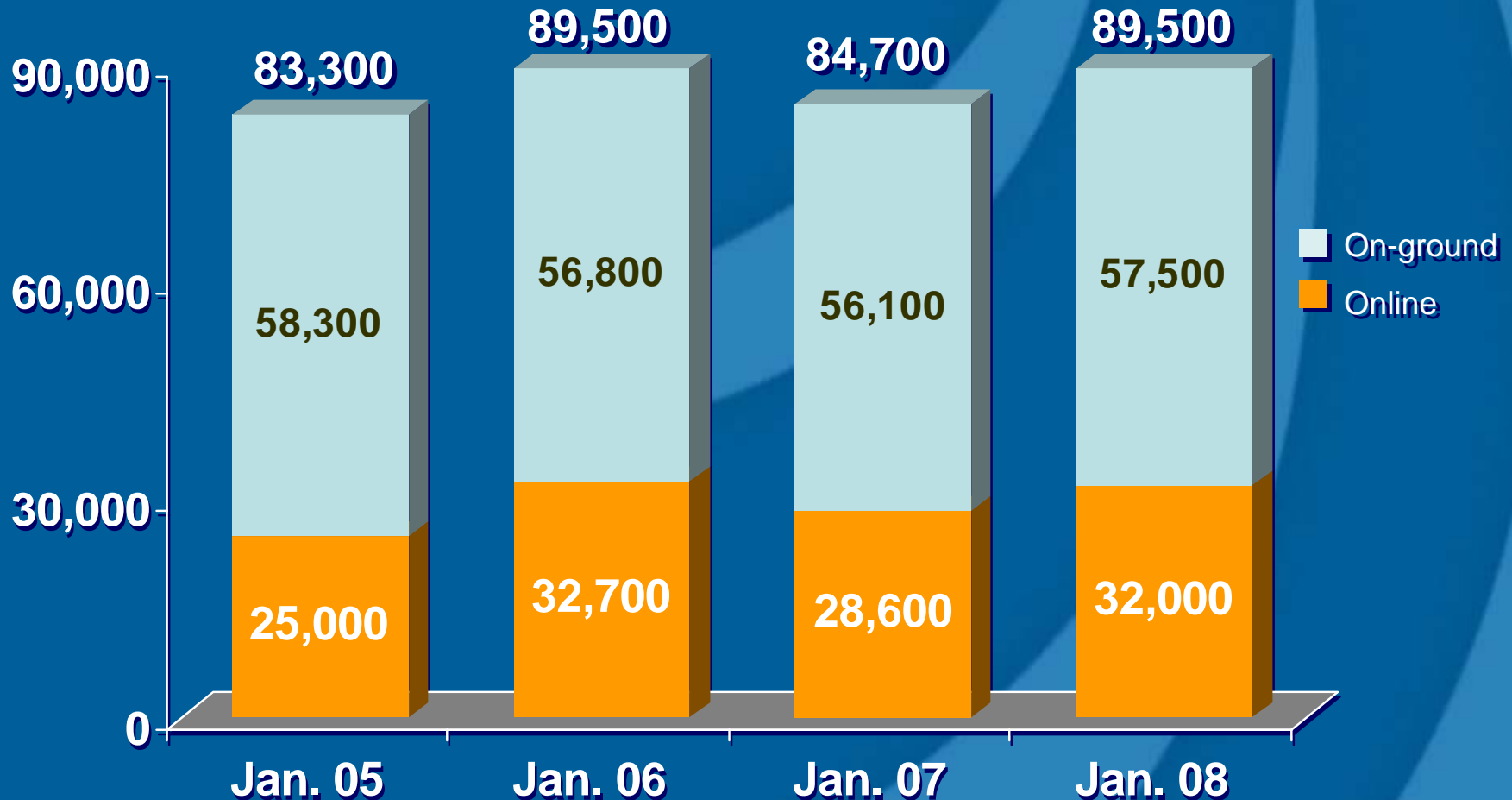
- **Historical trends**
- **New organizational structure**
- **Three year growth trajectory**
- **Student lending transition**
- **Transitional schools division**
- **Risks and upsides**
- **Summary**

CEC Financial Model

- **Strong growth potential in online**
- **Continued margin improvement in on-ground**
- **Ability to gain operating leverage in cost structure**
- **Significant cash flow generation**
- **Strong balance sheet**

Population

Despite the effects of AIU's probationary status over the past two years, strong starts in 2007 drove significant population growth.



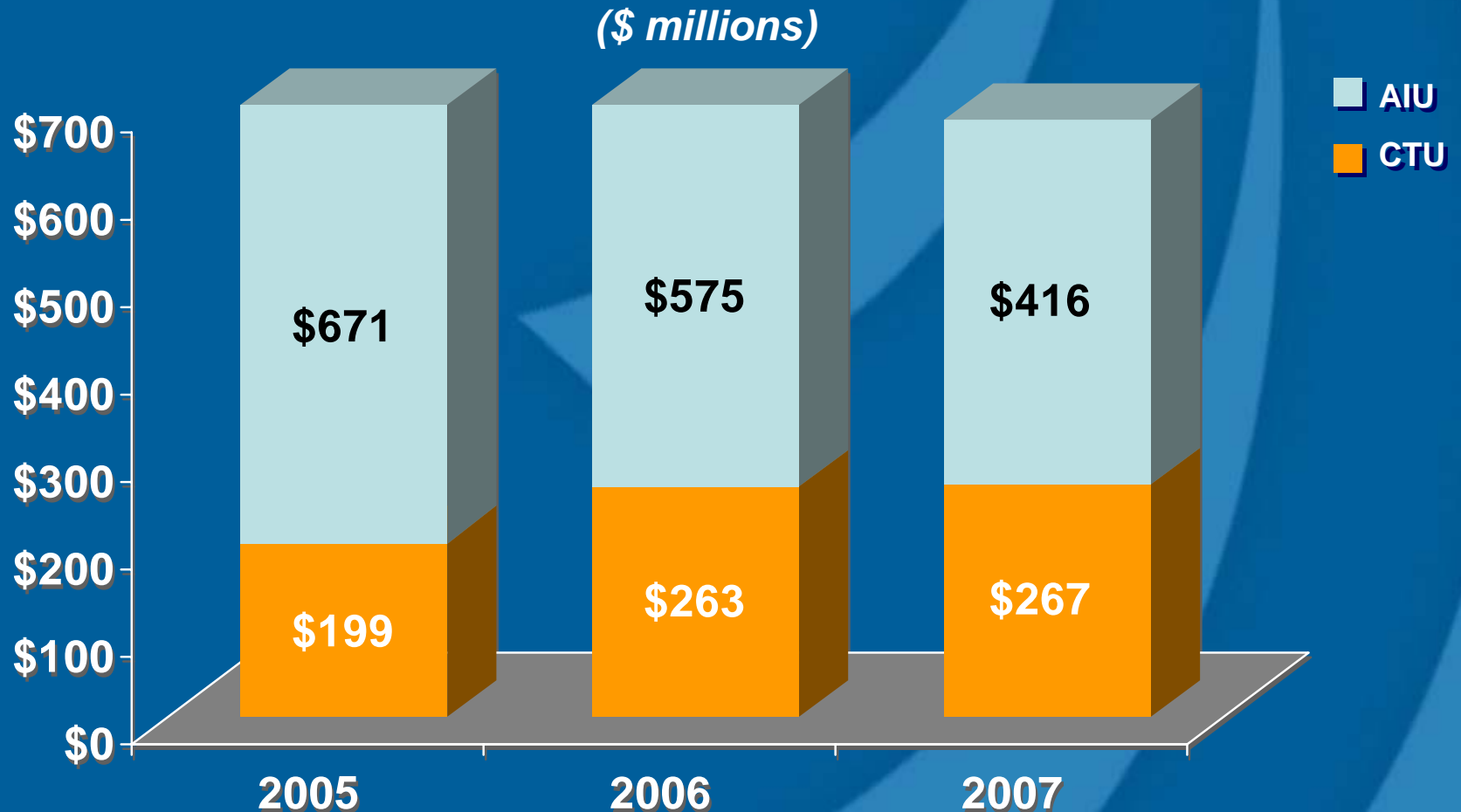
Annual Revenue

Strong growth in our Online Associate Degree programs reduced our average revenue per student despite solid growth in starts and population during 2007.



University Revenue

While CTU revenue has shown substantial growth since 2005, AIU's revenue has declined due to the effects of probation.



Operating Profit Margin

A mix shift in our Online University schools coupled with higher levels of startup and teach-out activity have created pressure on operating margins in recent years.



* 2007 and 2006 include a goodwill and asset impairment charge of \$5.8 million and \$90.1 million respectively

Diluted Earnings Per Share



* 2007 and 2006 include a goodwill and asset impairment charge of \$5.8 million and \$90.1 million respectively

Balance Sheet & Cash Flow Highlights

(\$ millions)

2005

2006

2007

Net Cash Provided by
Operating Activities

\$378

\$216

\$222

Capital Expenditures

(\$126)

(\$69)

(\$58)

Capex % of Revenue

6.2%

3.6%

3.2%

Subtotal

\$252

\$147

\$164

Share Repurchases

(\$200)

(\$166)

(\$224)

Net

\$52

(\$19)

(\$60)

Cumulative

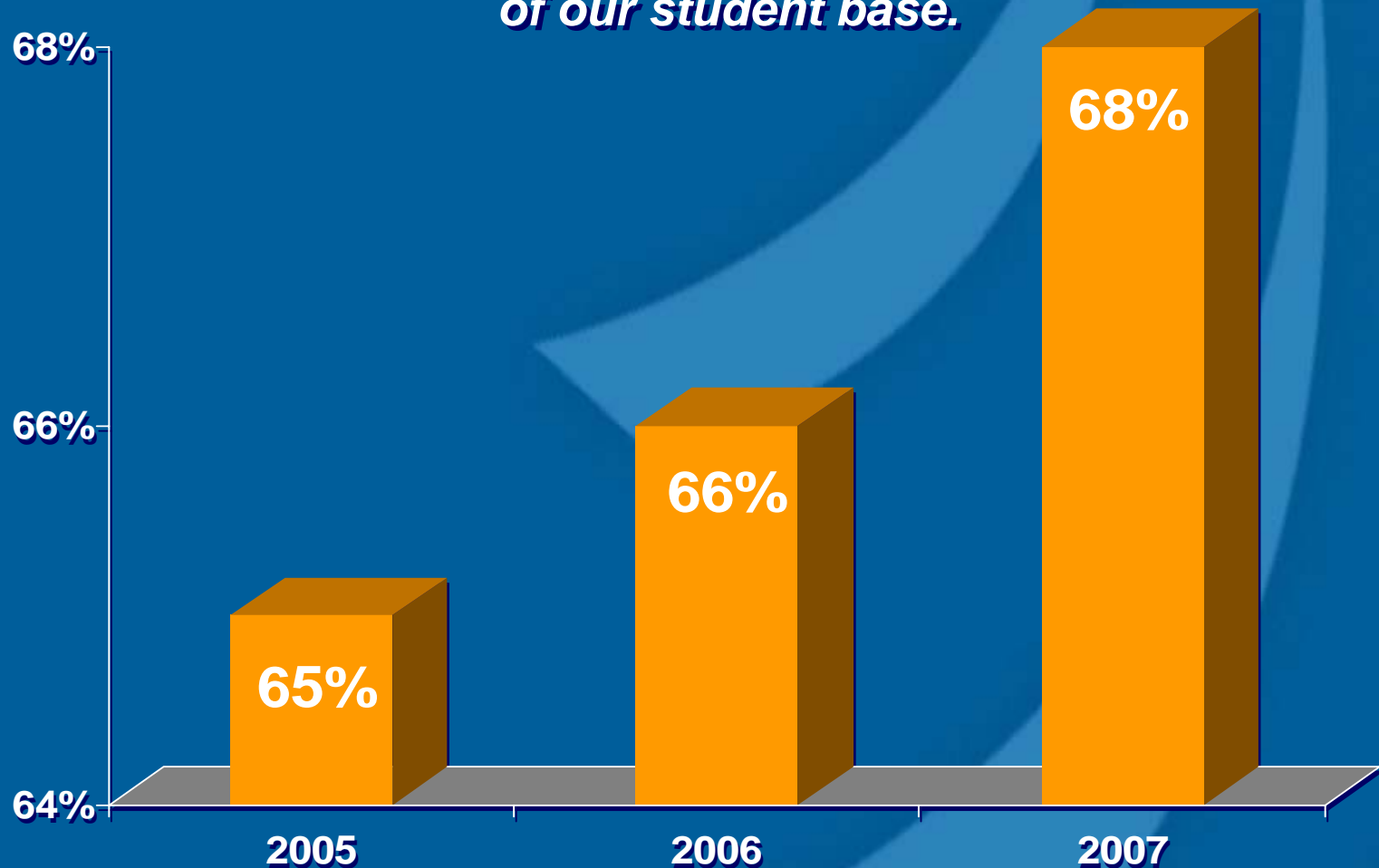
\$52

\$33

(\$27)

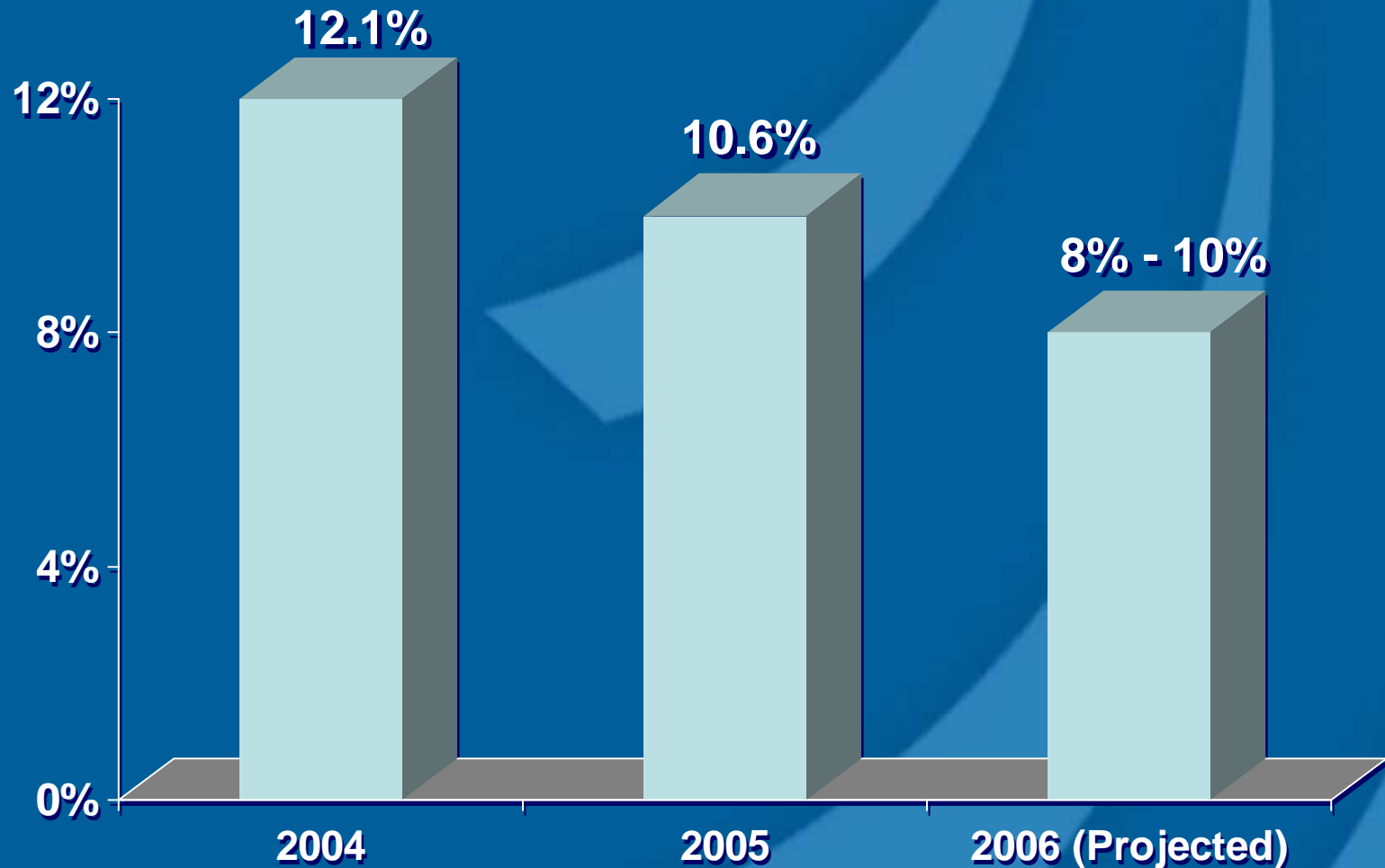
Student Retention Trends

Despite external pressures on our business over the past two years, student retention has shown increased sustainability of our student base.

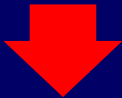














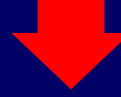
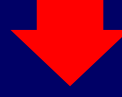
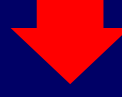







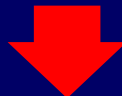


Cohort Default Rates

Since 2004, cohort default rates have been improving year-over-year and we project further improvement for 2006.



2007 Inflection Points

	1Q07	2Q07	3Q07	4Q07
Starts				
Population				
Conversions				
Show Rates				
RPS				
Cost per Start				
Retention				

2007 Results By Division

(\$ millions)	Revenue		Operating Profit		Population (1/31/08)	
	2007	vs '06	2007	vs'06	2007	vs '06
Academy	\$171	4%	\$4	(75%)	8,400	12%
Colleges	\$184	(16%)	\$9	(72%)	7,700	(11%)
Culinary	\$366	-	\$49	(19%)	10,900	-
Health	\$189	12%	\$7	109% ⁽¹⁾	13,500	16%
International	\$82	61%	\$13	14%	8,600	13%
University	\$683	(18%)	\$91	(55%)	40,400	5%
Corporate	-	N/A	(\$52)	37%	N/A	N/A
CEC Total	\$1,675	(7%)	\$120	(23%)	89,500	6%

(1) 2006 includes a goodwill and asset impairment charge of \$86.3 million

Pro Forma 2007 - 2010

- Pro Forma to reflect new organizational structure
- All charts and graphs representing 2007 – 2010 projected growth exclude transitional school division results

2007 Pro Forma

- **College segment schools moved to Art & Design with the exception of Briarcliffe which moved into University**
- **Schools in teach-out previously classified in Colleges, Academy and University segments moved to Transitional Schools**
- **Schools in teach-out previously classified as assets held for sale in discontinued operations moved to Transitional Schools**
- **Schools remaining with CEC previously classified as assets held for sale in discontinued operations moved to Health Education**

Formed SBUs

Art & Design 15

IADT: 11 - Brooks Institute: 1 - Harrington: 1
Collins: 1 - Brown: 1

Culinary Arts 15

Le Cordon Bleu (LCB): 13
Kitchen Academy: 2

Health 24

Sanford Brown: 19 - Missouri: 1 - Gibbs: 2
Western School of Health & Business Careers: 2

International 12

INSEEC: 9
Istituto Marangoni: 3

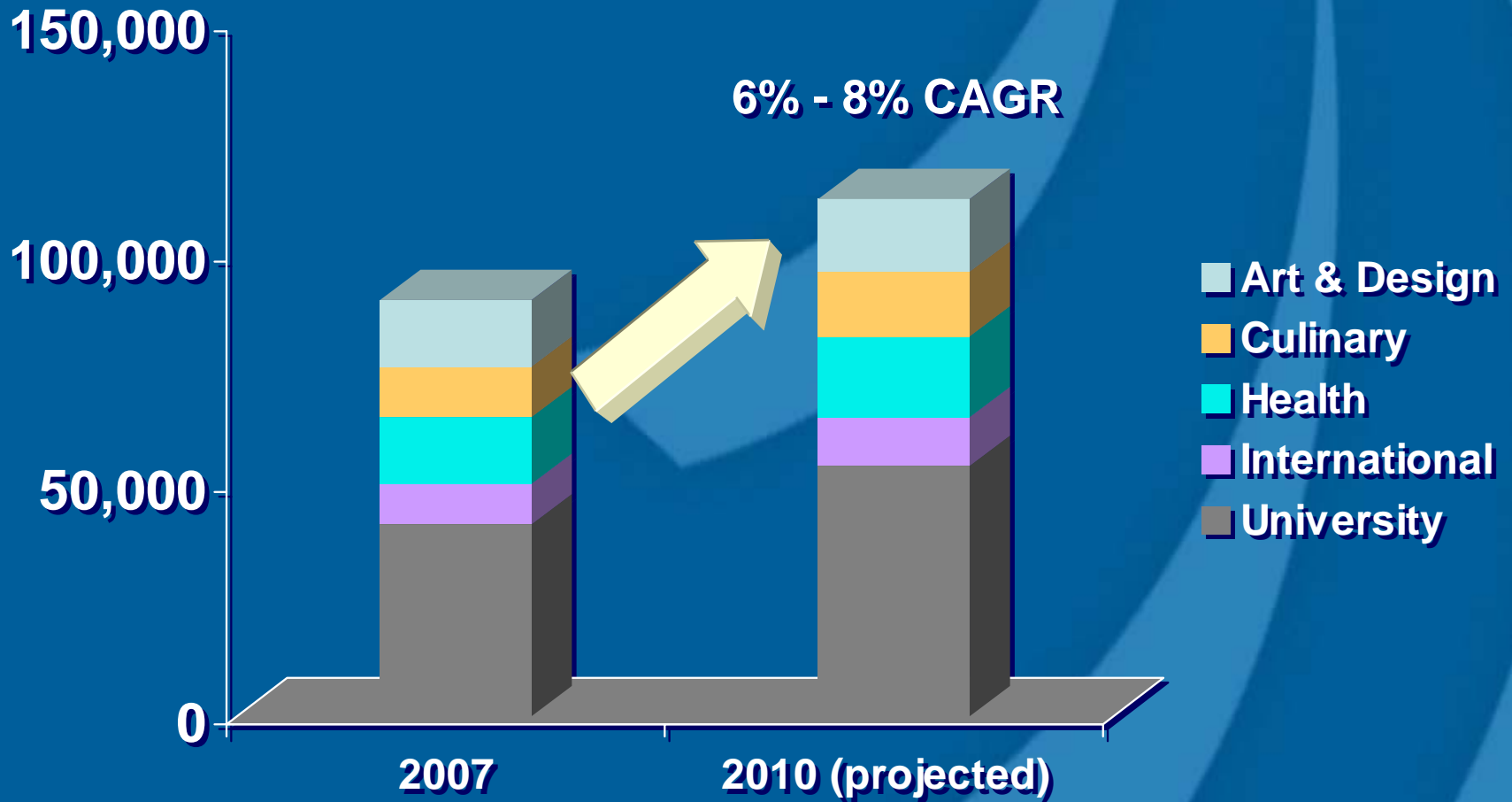
University 13

AIU: 6 - CTU: 5
Briarcliffe: 2

Transitional

Gibbs: 7 - AIU: 1 - IADT: 2 - Brooks College: 2
Lehigh Valley: 1 - McIntosh: 1

Population 2007 - 2010



* Excludes Transitional School Division Results

Revenue 2007 - 2010

(\$millions)

6% - 8% CAGR

\$2,000

\$1,500

\$1,000

\$500

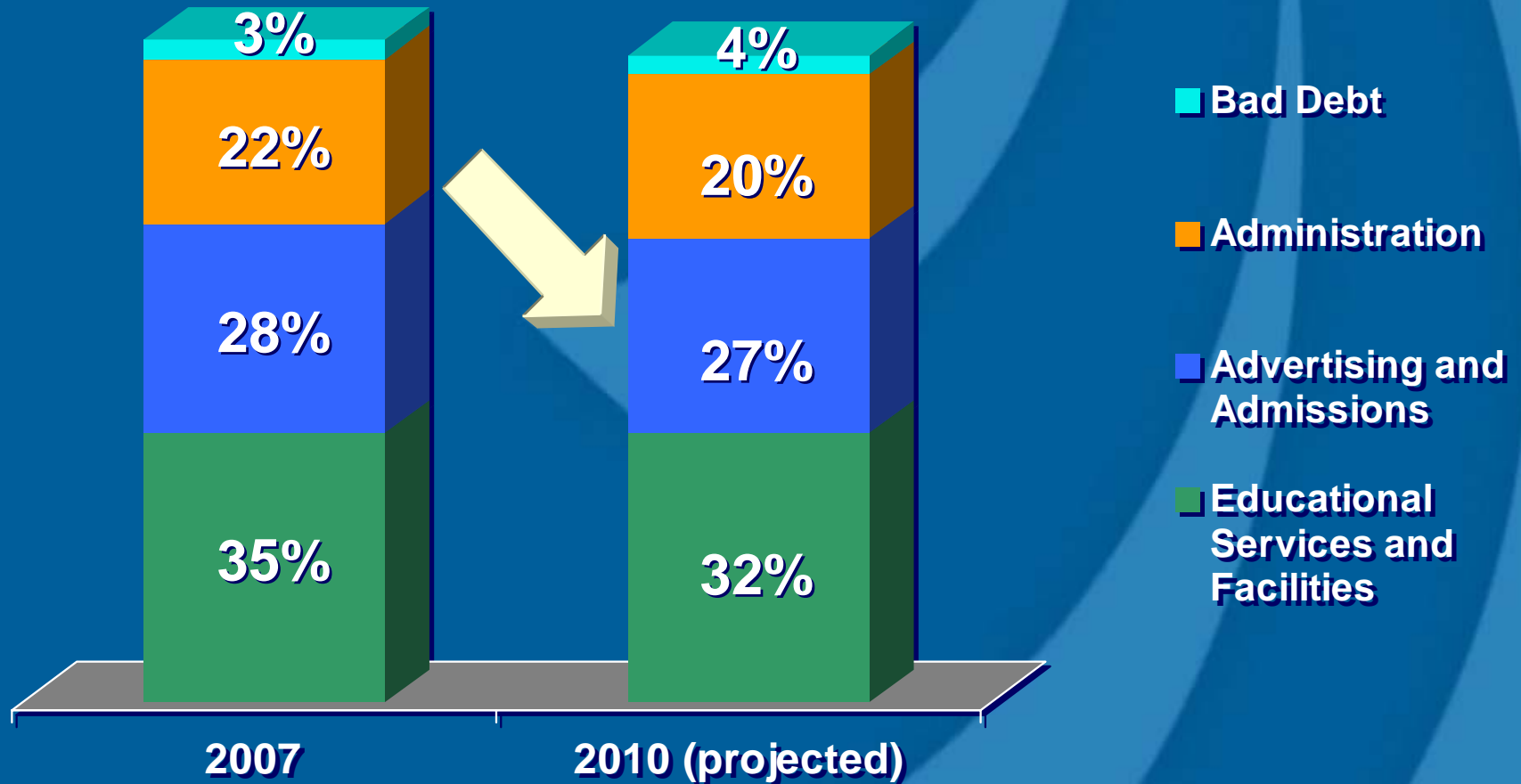
\$0

2007

2010 (projected)

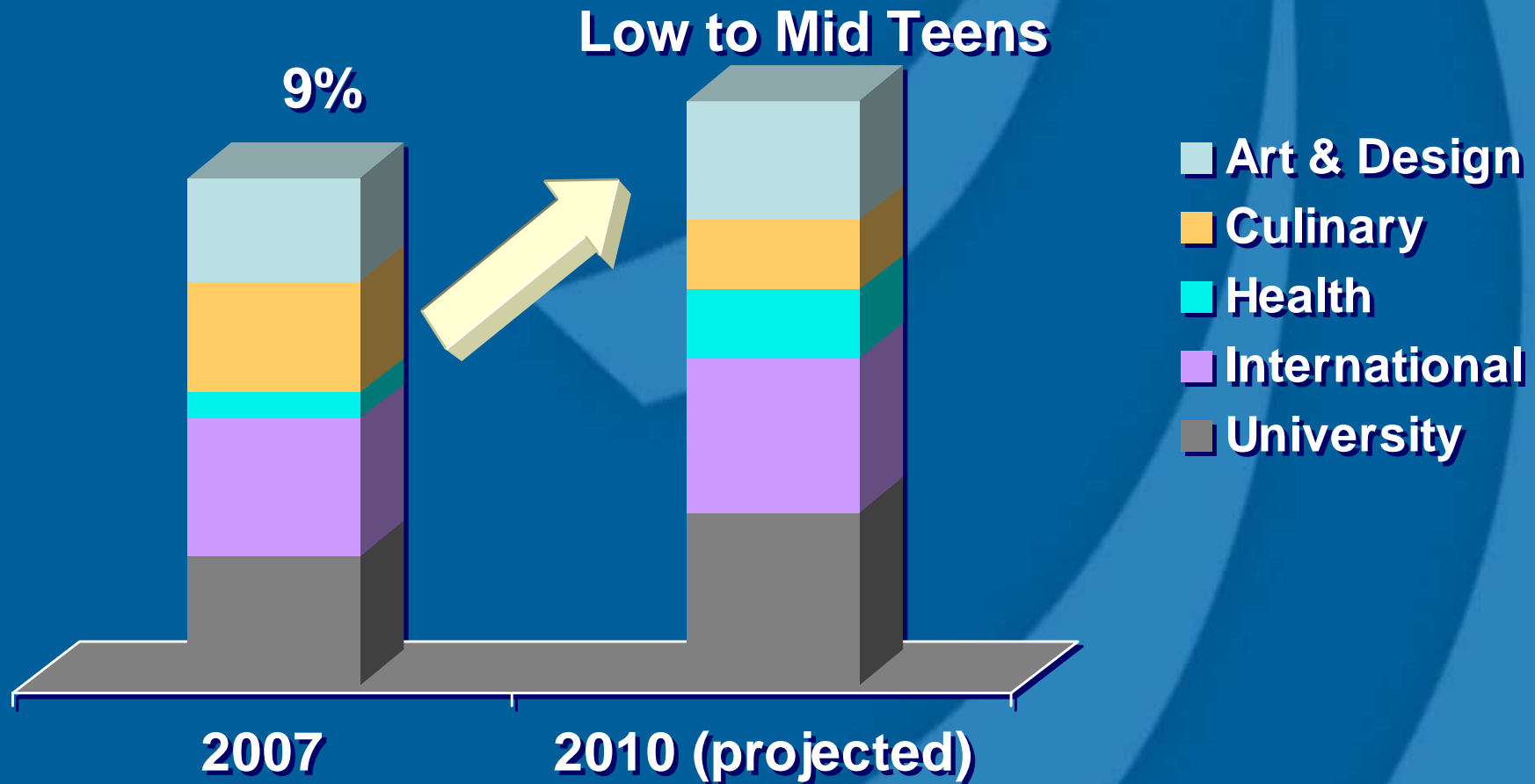
- Art and Design
- Culinary
- Health
- International
- University

Operating Expense 2007-2010



* Excludes Transitional School Division Results

Operating Profit Margin 2007-2010



* Excludes Transitional School Division Results

Art and Design SBU

- Utilize strength of specialty schools across IADT (i.e. photography, fashion design, gaming)
- Successful launch of IADT online
- Blended learning
- One Academy initiative
- Consistent messaging and advertising

	2007 Pro Forma	2010 Outlook
Revenue	\$275 million	Mid Single Digit CAGR
Operating Profit Margin	12.0%	Mid Teens

Culinary Arts SBU

- Offer extended Le Cordon Bleu Associate Program
- Focus recruiting efforts on local markets
- Base new startups on smaller operating footprint
- Introduce additional certificate-based programs

	2007 Pro Forma	2010 Outlook
Revenue	\$366 million	Mid Single Digit CAGR
Operating Profit Margin	13.0%	High Single Digits

Health Education SBU

- Expand higher end program offerings
- Introduce blended learning model
- Consistent platform
- Consolidation of brands
- Geographic expansion through startups

	2007 Pro Forma	2010 Outlook
Revenue	\$207 million	High Single Digit CAGR
Operating Profit Margin	3.0%	High Single Digits

International SBU

- Continued growth of INSEEC through new program offerings
- Solidify market acceptance of Istituto Marangoni London and Paris locations
- Explore geographic expansion

	2007 Pro Forma	2010 Outlook
Revenue	\$82 million	Mid Teens CAGR
Operating Profit Margin	16.0%	High Teens

University SBU

- **Renewal of AIU brand**
- **Continued growth in CTU military market**
- **Determine Briarcliffe strategy regarding online and blended learning**

	2007 Pro Forma	2010 Outlook
Revenue	\$704 million	Low Teens CAGR
Operating Profit Margin	15.0%	Low Twenties

AIU Profitability Initiatives

- Introduce new programs and concentrations
- Launch \$12 million new media campaign
- Align on-ground and online educational calendars
- Leverage power of entire university
- Teach-out Los Angeles campus
- Ended agreement with AIU Dubai

	2007 Pro Forma	2010 Outlook
Revenue	\$400 million	Mid Single Digit CAGR
Operating Profit Margin	15.0%	High Teens to Low Twenties

CTU Profitability Initiatives

- **Grow military markets**
- **Enhance Institute of Advanced Study**
- **Introduce new programs and concentrations**
- **Matriculate associate students to bachelor's degree programs**
- **Capitalize on one University**

	2007 Pro Forma	2010 Outlook
Revenue	\$267 million	Mid Teens CAGR
Operating Profit Margin	17.0%	Low Twenties

Student Lending Transition

- **January, 2008:** Sallie Mae (SLM) announced intention to terminate recourse loan program to new students
- **January, 2008:** SLM increased discount rate in interim period from 25% to 44%
- **February, 2008:** SLM announced intention to terminate recourse loan program to students
- **February, 2008:** SLM terminating certain FICO bands from its non-recourse loan programs
- **February, 2008:** CECO announces that it will utilize its balance sheet to support serial students and selective lending to new students

Student Lending Transition – Projected Financial Impact

	2008 \$ millions	2009 \$ millions
Discontinue existing EPP	(\$20-\$25)	(\$20-\$25)
Loss Culinary – SLM Recourse & Repositioning	(\$50-\$65)	(\$70-\$85)
Loss Other Segments – SLM Recourse	(\$25-\$35)	(\$30-\$40)
Subtotal	(\$95-\$125)	(\$120-\$150)
CEC New Payment Plan	\$20-\$25	\$25-\$30
Alternate Lenders	\$0-\$10	\$20-\$30
Net Loss Revenue	(\$75-\$90)	(\$75-\$90)
Net Loss Profit	(\$40-\$60)	(\$40-\$60)

Transitional School Segment

College Segment

Lehigh Valley, McIntosh,
Brooks College
(Sunnyvale & Long Beach)

Academy Segment

IADT Toronto &
Pittsburgh

Transitional School Segment

Gibbs Segment

7 Gibbs Schools

University Segment

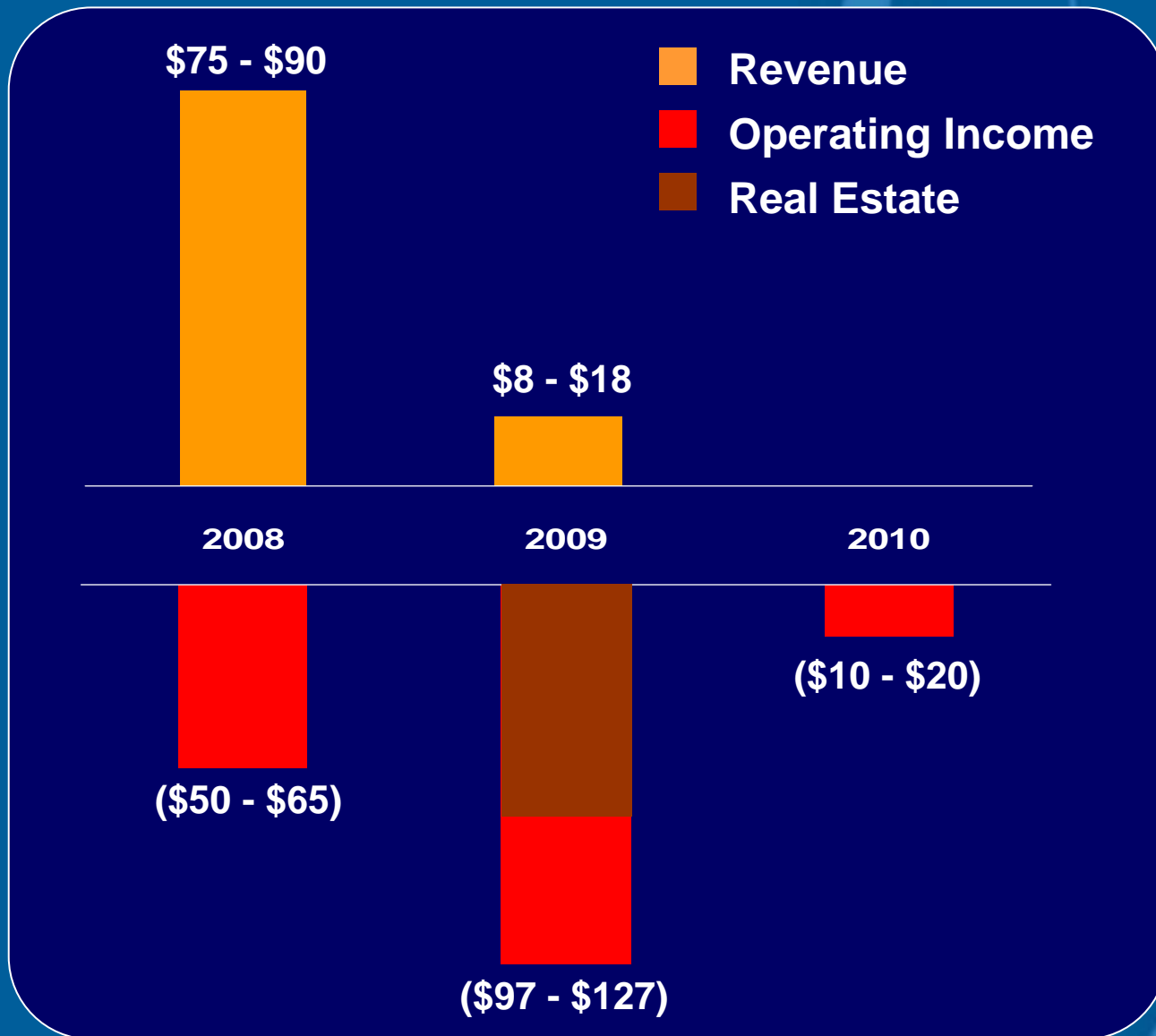
AIU Los Angeles

Transitional School Segment – Projected Financial Impact

(\$ millions)	2008 Revenue	2008 Operating Loss	2009 Revenue	2009 Operating Loss
Academy	\$10 - \$12	(\$8-\$10)	\$0 - \$2	(\$3-\$5)
Gibbs	\$45 - \$50	(\$20-\$25)	\$8 - \$12	(\$30-\$34)
Colleges	\$13 - \$18	(\$15-\$21)	\$0 - \$2	(\$6-\$8)
University	\$7 - \$10	(\$7-\$9)	\$0 - \$2	(\$3-\$5)
Subtotal	\$75 - \$90	(\$50-\$65)	\$8 - \$18	(\$42-\$52)
Exiting real estate obligations				(\$55-\$75)

Transitional School Segment – Projected Financial Impact

(\$ millions)



Perspectives on 2008

- **Change in earnings days at AIU from first quarter 2008 to third quarter 2008**
- **\$12 million investment in marketing for AIU renewal**
- **\$18-\$20 million savings, net of severance for organizational restructuring**
- **Loss of revenue and operating profit due to lending market contraction**

Perspectives on 2009

- **Anticipated loss of revenue and operating profit due to lending market contraction**
- **Real estate obligation on schools in teach-out**
- **Lengthening of Culinary program**

Real Estate Efforts

- **Over 7 million square feet of space in global portfolio**
- **Portfolio rationalization initiative actively in progress**
- **Efficiency planning in progress to identify significant additional opportunities in 2008 and 2009**
- **Developed and implemented standardization plans for proposed new campuses**

Summary

(\$ millions)	2007 Pro Forma		2010 Outlook
Revenue	\$1,635	6% - 8% CAGR	\$1,950 - \$2,050
Operating Income	\$151	Low to Mid Teens	\$225 - \$270
Transitional Operating Income	(\$86)	N/A	(\$10 - \$20)
Total	\$65		\$210 - \$255
Est. Free Cash Flow	\$164		\$195 - \$235

Other Performance Considerations

Primary Risks

Potential Upsides



2008

-

2010

- Student lending
- AIU pace of recovery
- Legal and regulatory Issues
- Culinary transition
- Excess charges for the reduction of excess real estate

- Student lending
- AIU pace of recovery
- Growth in higher degrees
- Growth in blended learning
- Rapid elimination of excess real estate

Q#1: In 2009, you have operating losses from teach-outs and real estate disposal as well as the impact from student lending. Are you concerned about meeting the DOE financial responsibility ratio?

Q#2: Will you continue to take advantage of your repurchase program? What is the minimum cash you want to maintain on your balance sheet?

Q#3: Would you consider taking on more debt? What is your ideal capital structure?

CEC Financial Model

- **Strong growth potential in online**
- **Continued margin improvement in on-ground**
- **Ability to gain operating leverage in cost structure**
- **Significant cash flow generation**
- **Strong balance sheet**

The 3R_s

Recognize • Redefine • Reach

Q&A

The 3R_s

Recognize • Redefine • Reach

