

CAREER EDUCATION CORP  
Form DEFA14A  
May 17, 2005

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)

Payment of Filing Fee (Check the appropriate box):

- No fee required.
- Fee computed on table below per Exchange Act Rules 14a-6(i)(1) and 0-11.
  - (1) Title of each class of securities to which transaction applies:
  - (2) Aggregate number of securities to which transaction applies:
  - (3) Per unit price or other underlying value of transaction computed pursuant to Exchange Act Rule 0-11 (set forth the amount on which the filing fee is calculated and state how it was determined):
  - (4) Proposed maximum aggregate value of transaction:
  - (5) Total fee paid:
- Fee paid previously with preliminary materials.
- Check box if any part of the fee is offset as provided by Exchange Act Rule 0-11(a)(2) and identify the filing for which the offsetting fee was paid previously. Identify the previous filing by registration statement number, or the Form or Schedule and the date of its filing.
  - (1) Amount Previously Paid:
  - (2) Form, Schedule or Registration Statement No.:
  - (3) Filing Party:
  - (4) Date Filed:

**Persons who are to respond to the collection of information contained in this form are not required to respond unless the form displays a currently valid OMB control number.**



[The following materials were posted to Career Education Corporation's ( CEC ) website at www.careered.com on or about May 17, 2005.]

[WEB BANNER]

Attention CEC Stockholders! Please remember to vote FOR the proposals included on CEC's BLUE PROXY CARD in connection with our May 20, 2005 Annual Meeting of Stockholders.

Vote FOR our three director candidates

Vote FOR the ratification of our independent auditors, Ernst & Young LLP

For additional information about our Annual Meeting and CEC's recommended proposals, please click [here-CLICK THROUGH TO INFORMATION PAGE](#).

[Click Through Screen]

You are cordially invited to attend the **2005 Annual Meeting of Stockholders** of Career Education Corporation to be held at the **Chicago Marriott Northwest, 4800 Columbine Boulevard, Hoffman Estates, Illinois on May 20, 2005 at 3:00 p.m., Central Daylight Time**. At the Annual Meeting, CEC stockholders will vote to: (1) elect three nominees to our Board of Directors; (2) ratify the appointment of Ernst & Young LLP as our independent auditors; and (3) support or reject three proposals of one of our stockholders, R. Steven Bostic, if properly presented at the meeting.

Our Board of Directors strongly recommends that you vote in favor of its nominees Dennis H. Chookaszian, Robert E. Dowdell, and Patrick K. Pesch to continue their service as directors of CEC. Information about these nominees and their substantial qualifications is included **[here CLICK THROUGH TO NOMINEE BIOGRAPHIES](#)**.

Our Board of Directors has carefully considered each of Mr. Bostic's proposals, and has determined that they are not in the best interests of all CEC stockholders. Mr. Bostic is the former Chairman and CEO of EduTrek International, Inc. EduTrek was a public company that was purchased by CEC in 2001. At the time of the purchase, EduTrek was in default under various agreements, lacked adequate capital resources, and had suffered net losses in its most recent reporting periods. Since then, CEC has turned that business (now known as the AIU schools) into a thriving and profitable organization. Our Board believes that Mr. Bostic's proposals would neither advance our good corporate governance practices nor maximize value for stockholders. For additional reasons why our Board has decided to oppose Mr. Bostic's proposals, please click **[here CLICK THROUGH TO POSITION MEMO](#)**.

Our company is at an important phase in its development and we believe that Mr. Bostic's proposals, if adopted, would greatly disrupt the continuity of our operations. Accordingly, our Board of Directors asks that you please fill out, sign and return the **BLUE PROXY CARD, using the envelope provided to you in our proxy mailing**. If you wish to obtain another copy of CEC's proxy statement or proxy card, please contact our proxy solicitor, MacKenzie Partners, Inc., toll-free at (800) 322-2885.

You may have already received proxy materials and a white proxy card from Mr. Bostic. Please submit the **BLUE PROXY CARD** even if you previously mailed in a white proxy card, or any other proxy card. The last proxy card you submit will represent your vote.

[NOMINEE BIOGRAPHIES]

**NOMINEES FOR ELECTION TO THE BOARD OF DIRECTORS**

Each of our nominees for election to our Board of Directors is presently serving as one of our directors. During their tenure as directors, our nominees have continuously represented our stockholders' interests in developing and growing an extremely successful business. Based on their substantial qualifications and track record of success, we recommend that you vote FOR the following nominees for election to our Board of Directors:

*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. From 1999 until 2001, Mr. Chookaszian served as Chairman and Chief Executive Officer of mPower, Inc. Currently, Mr. Chookaszian is a director of Marshall & Swift, L.P., Sapien Corporation, Insweb Corporation and Chicago Mercantile Exchange Holdings, Inc. Mr. Chookaszian received certification as a public accountant in 1971.

*Robert E. Dowdell* has been CEC's Lead Director since July 2004 and a Director of CEC since its inception in January 1994. From 1984 to 1988, Mr. Dowdell served as President of National Education Centers, Inc. From 1989 to present, Mr. Dowdell has served as Chief Executive Officer and as a director of Marshall & Swift, L.P. Mr. Dowdell is also the General Partner of RGD Partners, L.P.

*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. 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 2001, he served as Senior Vice President of CEC. He also has served and serves as CEC's Assistant Secretary. From 1992 until joining CEC, Mr. Pesch served as a Senior Vice President of Heller Financial, Inc. and also as an officer of Heller Equity Capital Corporation. Mr. Pesch joined Heller Financial, Inc. in 1985 as head of the internal audit function. Previously, he was an audit manager with Arthur Young & Company. Mr. Pesch received a Bachelor of Science of Commerce degree from DePaul University and is a certified public accountant.

[POSITION MEMO]

**THE REASONS WHY CEC 'S BOARD OF DIRECTORS**

**OPPOSES R. STEVEN BOSTIC 'S PROPOSALS**

Mr. Bostic has included three proposals in his proxy materials for stockholder consideration at CEC 's 2005 Annual Meeting. Our Board of Directors has carefully evaluated Mr. Bostic 's proposals and determined that his proposals are not in the best interest of all CEC stockholders. To the contrary, the Board believes that Mr. Bostic 's proposals, if adopted at this time, would be detrimental to stockholders. CEC 's Board opposes Mr. Bostic 's proposals for the following reasons.

We ask shareholders to vote FOR our Director nominees. We believe a withhold vote could result in the destabilization of the board, undermining the company 's value and generally having a negative impact on our business. Under the leadership of our Board of Directors, CEC has continued to grow and achieve outstanding results.

In 2004, revenue grew 47 percent to \$1.73 billion and net income rose 61 percent to \$179.6 million, or \$1.71 per diluted share. Career Education anticipates revenues to grow about 23 percent to \$2.125 billion and earnings to increase to \$2.29 per share this year. In addition, the company 's three-year total return to shareholders is 32.6%, compared to its ISS peer group return of 12.6%.

We ask our shareholders to provide the management team a vote of confidence in order for us to provide the continuity necessary for us to continue to grow the company and provide industry leading returns.

CEC 's Board opposes Mr. Bostic 's proposals for the following reasons.

**Classification of Our Board of Directors**

Under a classified board structure, only one class of directors stands for election each year, and the directors in each class serve three-year terms. Currently, five of the seven members of CEC 's Board are independent under the listing standards of The Nasdaq Stock Market. The election of CEC directors by classes further strengthens the independence of our Board by providing our independent directors with three-year terms. At the same time, our Board 's classified structure ensures that approximately two-thirds of our Board will at all times have prior experience with, and knowledge of, our company. These attributes are beneficial to CEC 's stockholders because our classified Board:

provides stability, continuity and increased independent leadership

can most effectively engage in long-term strategic planning, which maximizes stockholder value over the long run

can most effectively evaluate proposals and transactions, negotiate on behalf of all stockholders, and weigh alternatives for maximizing stockholder value

can safeguard CEC against third parties opportunistically taking control of our company without paying fair value to stockholders

Because declassification would eliminate each of these key governance attributes, we oppose Mr. Bostic's proposal to declassify our Board.

**Special Meetings of Our Stockholders**

Under CEC's Charter and By-Laws, special meetings may be called by a resolution approved by a majority of our Board of Directors. This is a necessary and appropriate corporate governance provision for a public company of our size because it:

enables the orderly conduct of CEC's business

affords CEC's Board ample notice and opportunity to respond to proposals

allows CEC directors, according to their fiduciary obligations, to determine when it is in the best interests of stockholders to convene a special meeting

---

Mr. Bostic's proposal, which would enable a minority of stockholders to call an unlimited number of special meetings, could:

significantly disrupt the conduct of CEC's business

impose substantial administrative and financial burdens on CEC

compromise the ability of CEC's Board and management team to effectively manage CEC's business and affairs

Based on all of the foregoing considerations, our Board of Directors has decided to oppose Mr. Bostic's proposal.

#### **Our Stockholder Rights Plan**

CEC's Rights Plan is designed to protect stockholders against potential abuses during a takeover attempt, and to allow our Board to effectively evaluate and negotiate takeover proposals. Hostile acquirers are interested in buying a company as cheaply as they can, and, in attempting to do so, may use coercive tactics such as partial and two-tiered tender offers, or creeping stock accumulation programs, which do not treat all stockholders fairly and equally. Our Rights Plan is beneficial to our stockholders because it:

protects stockholders against potential abuses during a takeover attempt

enables our Board to evaluate takeover proposals in a rational manner

provides our Board with enhanced negotiating leverage in a takeover situation

enables our Board to determine whether, in the exercise of its fiduciary duties, the Board believes a proposed takeover offer adequately reflects the value of CEC and is in the best interest of all stockholders

In addition, our Board may eliminate or waive application of the Rights Plan when it determines that it is in the best interests of all stockholders to do so. Based on the foregoing, our Board of Directors has determined that Mr. Bostic's proposal would undermine its ability to ensure that stockholder interests are protected with no corresponding benefit. Accordingly, our Board opposes Mr. Bostic's proposal.

---