Career Education Corporation

MISSION STATEMENT
We are a dynamic educational services company committed to quality, career-focused learning led by passionate professionals who inspire individual worth and lifelong achievement.

Turning Dreams Into Futures

Career Education Corporation offers 42 schools, colleges and universities provide students with the education they need for long and satisfying careers, and prospective employers with a highly qualified pool of workers from which to choose. CEC offers postsecondary associate, bachelor’s and master’s degree programs and non-degree diploma and certificate programs in four core curricula:

- visual communication and design technologies
- information technology
- business studies
- culinary arts

Career Education Corporation
2895 Greenspoint Parkway
Hoffman Estates, Illinois 60195
www.careered.com
Nasdaq symbol: CECO

2001 Summary Annual Report
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Career Education Corporation’s 42 schools, colleges and universities are leaders in their markets, have long operating histories, sterling reputations and well-known brand names. They are "schools of choice"—selected by students who have many other educational options. Students choose CEC schools because they deliver a premier education that prepares them for successful and rewarding careers in four high growth areas — visual communication and design technologies, information technology, business studies and culinary arts.

During 2002, we expect to generate the most revenue from brick-and-mortar campuses compared to any group in the private, for-profit postsecondary education industry.

We have a powerful reason for being that excites enthusiasm and translates into a win-win for all: an outstanding education and lifetime career skills for our students, a highly qualified work force for employers, rewarding careers for our employees, and outstanding returns for our shareholders.
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2001 Financial Highlights

Net Revenue ($ in millions)

Net Income (Loss)* ($ in millions)

Diluted Earnings Per Share*

Student Population (as of October 31)

Comparison of Cumulative Total Shareholder Return
From January 28, 1998 (IPO) — December 31, 2001

* Before extraordinary item and cumulative effect of change in accounting principle

CEC Student Population by Degree Granting Status*
- Associate
- Bachelor's/Master's
- Certificate/Diploma

CEC Student Population by Core Curriculum*
- Visual Communication and Design Technologies
- Information Technology
- Business Studies
- Culinary Arts

CEC Student Population by Age Group*
- Over 30
- 21 - 30
- Under 21

* Fall 2001 Population

* Peer index includes Apollo Group Inc., Corinthian Colleges, Inc., DeVry Inc., Education Management Corporation, ITT Educational Services, Inc. and Strayer Education, Inc.
In a year of economic turmoil when many companies struggled, CEC posted record results across the board. Net revenues rose 63 percent, positioning CEC to become the second largest private, for-profit postsecondary education provider in 2002. This puts us within reach of our goal to become the world’s largest provider of private, for-profit postsecondary educational services.

During 2002, we expect to generate the most revenue from brick-and-mortar campuses compared to any group in our peer industry. At the same time, our E-learning programs are expanding rapidly — fast becoming another major growth driver for CEC.

But Career Education Corporation’s achievements last year go far beyond the numbers, as we met or exceeded every financial goal for the year as defined by our strategic plan. Specifically, we:

- **Enhanced our leadership position** in the four core curricula we provide — visual communication and design technologies, information technology, business studies and culinary arts. Progress was particularly noteworthy in our culinary division, which had an exceptional year. Through our partnership with Le Cordon Bleu and a combination of internal growth and acquisitions, we became the world’s largest provider of culinary arts education. Nearly 6,000 students are enrolled in CEC culinary programs.

- **Proved that our approach to education is recession-resistant.** Particularly in an economic downturn, the candidate with the best education and experience is best positioned to get the job. Potential students understand and appreciate this reality. During 2001, CEC generated more leads, enrolled and graduated more students and placed more people in career positions than ever before. With aggressive marketing, we captured increasing shares of our four target segments: recent high school graduates, young adults, older students and international students.
Made a marked entry into E-learning, launching two full-degree programs and earning the distinction of participating in the Department of Education’s Distance Education Demonstration Program. The hallmark of American InterContinental University Online, CEC’s fast-growth E-learning division, is its groundbreaking “virtual campus,” a total online learning environment that combines a human touch with the latest technology.

Expanded our growth platform to include two highly successful new campus start-ups in Orlando and Philadelphia. Start-ups add a new dimension to CEC’s growth strategy, giving us a platform to expand under the umbrella of our well-known brand name universities, colleges and schools. Our plan is to launch two start-ups each year.

Demonstrated the vitality of our internal operating model. On a same-school basis, student population increased 21 percent and revenues were up 35 percent. EBITDA climbed 57 percent, demonstrating how we leverage our investments in education, administrative staff and facilities to continually enhance operating margins.

Successfully integrated our largest-ever acquisition, American InterContinental University (AIU). We streamlined management systems and made significant investments in marketing, curricula, staff and infrastructure. Our investments paid off, as AIU dramatically improved its performance across all measures — leads, enrollments, retention and placement rates. AIU is just beginning to realize its full potential.
Continued our pace of new acquisitions. During 2001, CEC completed three acquisitions. In addition to AIU, we acquired the Texas Culinary Academy, a strategic entry into the vast Texas market. Our acquisition of the Pennsylvania Culinary Institute gave us a commanding lead in culinary education. Like all our campuses, these are schools of choice — carefully selected to be part of the CEC family because they are the top preference of students who have many other educational options.

Leveraged our academic excellence. A major factor in CEC’s internal growth is our ability to develop and transplant successful curricula to campuses throughout our system. During 2001, we transplanted 12 academic programs to selected schools. Close ties with employers throughout the CEC system enable us to offer our students academic programs that meet employer needs — now and into the future.

CEC offers a full range of educational options — postsecondary associate, bachelor’s and master’s degree programs and non-degree diploma and certificate programs. We have the ability to provide for the educational needs of our students throughout their lifetimes as they advance in their careers or make new career choices. To retain our students, we treat them as valued customers.

We are gratified by the achievements we made in 2001 and expect our momentum to continue throughout 2002 and beyond. This year, we will build on our success by:

- Targeting internal revenue growth in excess of 30 percent;
- Targeting two to three additional acquisitions;
- Opening two new start-up campuses;
- Transplanting 15 curricular programs;
■ Seizing the enormous potential presented by E-learning;
■ Expanding the reach of our marketing programs;
■ Continuing to invest in talented staff and top facilities and equipment;
■ Adding to the number of bachelor’s and master’s degree programs offered by CEC schools, thus increasing the average length of our academic programs and enrolling more full-time students;
■ Seizing the competitive advantage created by our divisional growth platforms — CEC’s Culinary, Academy, Gibbs, University, College and E-learning Divisions;
■ Continually enhancing the effectiveness of our academic, retention and placement programs; and
■ Exploring new growth opportunities in educational services.

We are guided by a central mission: We turn dreams into futures. Throughout the CEC system, there is a palpable and passionate commitment to our mission. We have a powerful reason for being that excites enthusiasm and translates into a win-win for all: an outstanding education and lifetime career skills for our students, a highly qualified work force for employers, rewarding careers for our employees, and outstanding returns for our shareholders.

Sincerely,

JOHN M. LARSON
Chairman, President and Chief Executive Officer

In this letter, we have described what we achieved in 2001. In the pages that follow, we explain how we did it and show that the magic of CEC is really no magic at all. Our success is grounded in sound strategic planning, a highly predictable and scalable business model, and outstanding execution. The proof of our performance is seen every day at each of our campuses. It is borne out in the reputations of our schools.
AIU Online’s “Virtual” Campus Hailed as New Role Model for E-Learning

Career Education Corporation made its marked entry into E-learning with the February 2001 launch of American InterContinental University Online. The school immediately distinguished itself among E-learning degree programs.

Nick Fluge, Executive Vice President of Operations and Chief Operating Officer for E-learning, says most online courses are little more than text on a Web page — like putting a textbook online. However, AIU Online courses are a complete multi-media experience.

“Our courses offer animation and sound that not only gives students a more enjoyable sensory experience,” Fluge says, “but also helps students retain more of what they learn. Students learn practical skills and real-world competencies.”

Furthermore, AIU Online’s groundbreaking “virtual” campus creates a complete campus experience online, from the student’s first expression of interest until they are placed in a job after graduation.

For example, AIU Online was the first college in the United States to offer a 100 percent online Financial Aid Processing Center, eliminating the need for a paper-intensive application. Its 100 percent online Enrollment Center served as a model for CEC brick-and-mortar schools that wanted to set up their own online enrollment centers.

Each AIU online student has a personalized Internet portal through which they can monitor their grades, the status of their financial aid, course schedules and assignments. Their home page includes daily postings of the top five news stories of the day from their field of study.

The virtual campus’s Cybrary (online library) won the Golden Web Award and in September 2001 linked to Galileo, an award-winning online library system that quadrupled AIU Online’s access to full-text periodicals, university library catalogs and government sites.

The school offered associate and bachelor’s degree programs in information technology/systems and an associate degree in business studies in 2001, with master’s degrees in business administration and information/technology systems added in early 2002.

Two more degree programs will be added in 2002, with a bachelor’s in business administration and a bachelor’s of fine arts program slated for introduction in 2003.

“We’ve created an entirely new customer base for CEC,” Fluge says. “Other CEC schools reach people who live in certain places or students who can relocate. We’re reaching out to the rest of the world — those people who need a 24/7 anytime-anyplace option.”
In 2001, AIU Online was selected as one of 10 new participants in the U.S. Department of Education’s prestigious Distance Education Demonstration Program. The program allows participating schools, colleges and universities to offer new ways of providing online education to more students. AIU Online has already developed for Department of Education approval an innovative digital signature that will make the financial aid process 100 percent paperless.

Other virtual campus enhancements slated for 2002 include a behavioral-based student tracking system that sends reminders and alerts to students about activities, appointments and deadlines. This built-in student success tool helps the school identify high-risk students earlier.

AIU Online’s virtual campus also will be PDA compatible in 2002, bringing the campus to the student wherever they may be — even if it’s hundreds of miles from a physical Internet connection.

Fluge expects revenues for AIU Online to surpass $100 million by 2005. “We have the whole world as a potential customer base,” he says. “We’re only limited by the size of our goals.”
The company also revamped its relationship with 40 overseas agents who represent CEC schools in-country. As a result, more international students attended CEC schools this year, with the international student populations expected to double in 2002.

Not all international students are coming to North America. AIU/London attracts students from over 100 countries who are drawn, in part, to the school’s unique position as one of only two universities in the world to hold both U.S. regional accreditation (through the Commission on Colleges of the Southern Association of Colleges and Schools) and British accreditation by the Open University Validation Services.

Brooks Institute of Photography in Santa Barbara, California, also attracts students from all over the world, including South America, Scandinavia and the Pacific Rim.

Dr. John Calman, President of Brooks Institute, says these alumni are the school’s best advertisement. To foster a closer relationship with them, the school has launched the Brooks Institute Global Network quarterly online newsletter.

“Our alums are an invaluable referral source for us,” Calman says. “That’s why we also offer graduates a free Web e-mail account they can keep for life. And we’re talking with international alumni about organizing an alumni association. We want to cement a lifelong bond between them and Brooks Institute of Photography.”
In 2001, school start-ups proved to be a highly successful means of driving Career Education Corporation’s growth expectations.

Two campus start-ups, CEC’s first ever, opened their doors in April: Katharine Gibbs School/Philadelphia and the International Academy of Design and Technology/Orlando. Both produced revenues and profitability well in excess of expectations.

“The outstanding performance of these new campuses confirms that start-ups represent a significant growth opportunity to extend the brand equity of our schools into large markets,” says Patrick K. Pesch, Executive Vice President and Chief Financial Officer.

IADT/Orlando offers associate degree programs in network engineering and computer graphics and associate and bachelor’s degree programs in Web design. The new 31,000 sq. ft. facility is a major asset in recruiting, with its extensive landscaping, ample parking and open, airy design. All computer labs are equipped with high-performance computers, fiber optic cable and T-1 connections for instant Internet access.

The school attracts a diverse student population in terms of age and gender and is split 60/40 between day and night students.

“We originally anticipated that the new campus would meet the school’s needs for several years,” Pesch says. “But we’re already considering expansion options to accommodate growth.”

Gibbs/Philadelphia’s initial diploma programs in business, information technology and visual communications are expected to be upgraded to the associate degree level in 2002. By year-end 2001, construction began on additional classrooms that will nearly double the school’s initial 17,000 sq. ft. facility.

“Gibbs/Philadelphia has carved out a unique niche in an area known for excellent educational options by providing students with a world-class instructional environment,” Pesch says. “Every student receives a laptop computer, and the facility is equipped with all-wireless technology that lets students stay connected anywhere on campus.”

Two additional start-up campuses are scheduled to open in 2002. In Orlando, Florida, the Orlando Culinary Academy already is enrolling students for the Le Cordon Bleu culinary arts program it will begin offering in July. “The Orlando market offers outstanding fundamentals for a culinary program, including a large base of prospective students.
and a large employer pool. The response to our marketing effort has significantly exceeded our projections,” says Jacob P. Gruver, Executive Vice President of Operations.

Recruiting also is underway for the initial class at the new Brooks College campus in the San Jose, California area, which will operate as a branch of Brooks College in Long Beach and under the regional accreditation of the main location. Classes in visual communications and information technology will begin at the new location in the fall.

"Brooks has a long history and an excellent reputation throughout California that will provide a solid foundation for the school’s expansion into northern California,” Gruver says.

CEC’s long-term goal is to develop two start-up campuses annually. "In evaluating potential markets for a start-up, we begin by analyzing the market size and potential, the competitive environment and employment prospects for graduates,” Gruver says. “Since a growing percentage of CEC students now come from outside a school’s local area, we also look at the market’s destination appeal to students. If these factors look promising and attractive acquisitions are not available, the market becomes a prime candidate for a start-up.”

“CEC’s success with IADT/Orlando and Gibbs/Philadelphia and the very favorable initial response to the Orlando Culinary Academy confirm that campus start-ups will play an important role in the company’s future growth plans,” Pesch says.
Reputation and Track Record
Make CEC the ”Buyer of Choice”

Acquisitions have played a major role in Career Education Corporation’s success and remain an important element of the company’s growth strategy. With more than 2,500 private, for-profit and 1,500 private, non-profit postsecondary schools in the United States alone, acquisitions represent a long-term growth opportunity.

“School owners often seek us out when considering the sale of their business because of CEC’s excellent reputation in the education community,” says Todd Steele, Senior Vice President of Strategic Planning and Development. “It’s rare that we don’t have the opportunity to acquire any quality school that is sold.

“Owners frequently select CEC because they know we will invest in and grow the institution they created,” Steele says. continued on back of flap

“CEC has a long history of acquiring schools and growing them significantly by investing in marketing systems, management and new programs.”

Acquisition candidates must provide CEC with the opportunity to serve an attractive educational market (in terms of programs and/or geography), reach a large pool of potential students, be capable of market leadership, and possess significant growth potential.

CEC’s reputation among potential acquisition targets gets stronger every year, thanks to the company’s stellar financial performance and its outstanding track record for growing the schools it acquires. Personal relationships also play an important role in the acquisition process.

During 2001, CEC completed three acquisitions, including two in the Culinary Division. Texas Culinary Academy marked CEC’s entry into a state the company has designated as one of its top-priority target markets for expansion, and Pennsylvania Culinary Institute propelled CEC to the leading position in culinary education worldwide.

“We will continue to rely on acquisitions to not only enhance our leadership in our core curricula, but also enter new educational markets because they provide a leading market position in the community and give us established academic programs and infrastructures with faculty,” Steele says.
Once again, 2001 proved that marketing is the engine that drives Career Education Corporation’s growth. Dr. Jon Coover, Senior Vice President of Marketing and Admissions, credits the company’s record-breaking marketing performance to three factors: mastering the right media mix, a further embracing of technology, and a new organizational structure, enabling CEC to more effectively market its school brands.

The result? More than one million new leads in 2001 — a nearly 54 percent jump from the year before. The leads translated into a 43 percent leap in overall enrollment and a 39 percent increase in overall student starts — the highest in the company’s history.

The Internet was the runaway hero in lead generation. Web leads rose 89 percent, due in large measure to CEC’s effective school Web sites, and online partnerships with Peterson’s Guide (one of the primary online reference sources for information about educational opportunities), and Embark.com, the Web site where prospective students can learn about any CEC school and immediately initiate the enrollment process online. Web-generated leads are highly desirable because they typically represent sophisticated students who have already investigated various school programs online and are ready to make decisions.

Leads from television advertising and high school recruiting each rose in excess of 40 percent in 2001. Direct mail — a consistent source of leads — generated a robust 44 percent increase in leads.

Dr. Coover says once students are ready to enroll, better use of technology has helped cut the enrollment process time dramatically. “It used to take 12-14 days from first contact to fully enroll a student who lived outside the school’s immediate area. Today, students can complete their initial application online in eight minutes and even chat online in real time with an admissions representative about any questions they have.”

In September 2001 the company implemented a new organizational blueprint that aligns CEC schools into six divisions — largely around school “brands.” All marketing and admissions activities are organized around specialty platforms within each division. The new divisions are:

- **Culinary Division** (10 schools featuring the Le Cordon Bleu programs)
- **College Division** (including Allentown Business School, Briarcliffe College, Brooks College, Brooks Institute of Photography, Brown College, Collins College, Harrington Institute and McIntosh College)
- **University Division** (six American InterContinental University campuses)
- **Academy Division** (eight International Academy of Design and Technology campuses)
- **Gibbs Division** (nine Gibbs Colleges and Katharine Gibbs Schools)
- **E-learning Division** (AIU Online)

With the new divisional structure, schools still hold onto their identities in their local communities, Coover says. But now students feel they are part of something bigger than their
own campus. Schools within each division also can take advantage of co-op advertising and capitalize on their brand equity.

Each division has a Vice President for Admissions-Marketing. And local and regional admissions directors are moving to one of four specialty-marketing platforms:

1: High School  
2: National/Regional  
3: Local  
4: International

“We always put a high focus on customer service,” Coover says. “When a student comes to us and goes through a college interview, tours the campus, has a chance to meet students and staffers and decides they are going to enroll, we now have a second interview. It’s another opportunity to address any underlying concerns or questions. We want them to know we’re there through every step until they’re embraced in the campus family.”
Strategic Recruiting Attracts More Out-of-Town Students to CEC Schools

Brisk growth continues in the number of out-of-area students attending CEC schools. Dr. Jon Coover, Senior Vice President of Marketing and Admissions, says there are three primary reasons:

- **Reputation:** Prospective students see CEC schools as “go-to” campuses — worth whatever travel may be required — because of the breadth of programs and the quality of the education offered.

- **Location, location, location:** Because of smart targeting of acquisitions and start-ups, CEC campuses are located in cosmopolitan world-class cities such as New York, Chicago, Toronto, Los Angeles and London, or in cities with special geographic appeal (including Scottsdale, Orlando, San Francisco, Santa Barbara and Atlanta). Students like attending school “where the action is.”

The Organization for Economic Cooperation and Development estimates there’s a shortage of 850,000 information technology professionals in the United States and two million in Europe.

For prospective students using an online search engine to learn more about IT careers, CEC is developing a Web site to give students everything they need to know to pursue a career in information technology — including earnings potential, education required, industries with the most opportunity and a listing of CEC schools offering information technology diploma and degree programs, along with links to each school’s site.

“We take a methodical, research-based approach to all our marketing and recruiting,” Prather says. “The result is we’re more coordinated and strategically-focused than ever before.”

Fast-track education:
Students want to get in and get out as quickly as possible but still get the kind of top-drawer education that will give them a head start in their career field. CEC’s accelerated degree and diploma programs are extremely popular.

To maximize the heightened interest in CEC schools, recruitment at each school is now organized around specialty platforms — high school, local, national/regional and international. Many schools expanded their admissions staffs and added one or more new platforms in 2001. Company-wide, CEC expanded its admissions staff 30 percent.

“International students are more complex applicants,” says Robert Prather, Director of International Marketing. “We spent more time this year working with admissions representatives not accustomed to working with international leads to show them how to handle issues like visas and how to evaluate a foreign student’s school credentials. We believe the training will pay off in a greater number of new international student starts.”

Strategic planning also began in 2001 for development of resource-focused Web sites devoted to each of CEC’s core curricula.

Strategic Recruiting Attracts More Out-of-Town Students to CEC Schools

Because of smart targeting of acquisitions and start-ups, CEC campuses are located in cosmopolitan world-class cities — attracting students from out-of-town and out-of-country. Not surprisingly, they like attending school “where the action is.”

San Francisco, Santa Barbara and Atlanta). Students like attending school “where the action is.”

continued on back of flap
Don’t reinvent the wheel. That’s the approach to curriculum development which has become a primary driver of Career Education Corporation’s impressive same-school population growth, which in 2001 topped 20 percent.

“Transplanting successful curricular programs from the schools where they were originated to other campuses throughout the CEC system is a highly efficient means of leveraging our investments in curriculum development, course materials and marketing,” says Dr. Patricia Kapper, Senior Vice President of Education. “It also allows campuses to implement new programs much faster than if they developed them from scratch.”

In 2001, seven CEC campuses completed 12 program transplants in animation, visual communications, interactive media, interior design, fashion design and merchandising, telecommunications, computer graphics, e-commerce, PC LAN and computer programming. “These programs had an immediate positive impact on enrollment and revenues everywhere they were adopted,” Kapper says.

Schools and the corporate office work together to identify transplant curricula candidates from across the system. “We look for programs with broad appeal to both students and employers,” Kapper says.

In 2001, the first curricular program ever developed at the corporate level was launched at two campuses. “We created an e-commerce program and then put it out to the system for adoption and adaptation,” Kapper says. “The program offers two separate options: one focusing on programming and the other on establishing and managing an e-commerce business. Initial student response to both approaches has been very strong.”

Before investing the time, effort and capital to launch a new curricular program, schools must assess the program’s appeal to prospective students and how well it fits with area employers’
needs. "The fact that a program has performed well at its original campus does not mean it is guaranteed success at a new location, so a needs analysis is a critical first step in the process," Kapper says.

Also important is recruiting an advisory board comprising local employers in fields relevant to the program in question. "The objective opinions of the advisory board members serve as a vital reality check," Kapper says. "As leaders in their field, they also can provide current insight into the knowledge and job skills that CEC graduates will need to launch a successful career."

In addition, the benefits of the advisory board extend far beyond curriculum development. Many board members become referral sources for prospective students and employers for CEC student interns or graduates.

Once CEC decides to transplant an existing program, it uses information from the needs analysis and the advisory board's input to adapt the program for its specific requirements. "Transplanted programs always bear a strong family resemblance to the original, but they're not identical twins," Kapper says. "For example, a software-intensive program should instruct students in the specific software packages that are in widest use among local employers, and those may or may not be the same ones that were popular in the area where the program was originated."

Launching a program transplant typically requires about nine months to secure necessary approvals from regulatory and accrediting bodies, hire a program chair and faculty, purchase necessary instructional equipment and prepare classrooms or laboratories, and develop and initiate the marketing campaign. "Our extensive experience with program transplants enables us to help the schools stay on schedule and avoid overlooking important details," Kapper says.

An agreement with American InterContinental University allows students to apply Gibbs course credits toward an AIU bachelor's degree in the same academic program. "Our students also can receive credit toward their Gibbs degree for participating in the AIU Study Abroad program at its London campus," Martin says.

Another change since the acquisition is the adoption of the Gibbs College name at campuses where state regulations allow. "That name retains a strong link to our heritage while also encompassing our broader academic focus," Martin says. "We have a long-term goal of regional accreditation, which when received will allow us to use the Gibbs College name system-wide."

Continued geographic expansion is a central element of the Gibbs Division's growth strategy. "Our goal is to continue to build the network of Gibbs campuses through acquisitions and start-ups," Martin says. "We also plan to open more branch locations of existing campuses in major population centers. While branches operate as fully independent campuses, their accreditation is linked to the main campus, allowing a faster launch. "The Gibbs brand remains one of our most powerful assets, and expanding its reach and impact will continue to drive our growth and success," Martin says.

"An advisory board comprised of local employers in fields relevant to the programs in question is also an important element in curriculum development. As leaders in their field, they can provide current insight into the knowledge and job skills that CEC graduates will need to launch a successful career. In addition, many board members become referral sources for prospective students and employers for CEC student interns or graduates."
The economic downturn in 2001 made this performance even more noteworthy, Bennicoff says. “Our graduates were well prepared to compete successfully in the tighter job markets because CEC’s academic programs are current with employer needs and requirements. We also advised graduates to broaden their job searches. For example, we directed culinary arts graduates to opportunities in hospitals, senior care facilities and other institutional settings where demand remained strong.”

CEC’s latest placement innovation is a global Web site that links all of the CEC schools together. On this site graduates and alumni of CEC schools can post their resumes and employers can list job openings. “The new placement Web site will be particularly useful for graduates who want to relocate to an area other than where they went to school. For example, an east coast graduate who wants to check out job opportunities in Silicon Valley can log on and pull up all the openings posted by prospective employers there. The graduate then can contact a placement professional at the appropriate CEC school to pursue any jobs of interest. Employers also can use the site to scan through resumes posted by graduates throughout the CEC system. “The new Web site will provide CEC with another effective tool for bringing together graduates with prospective employers, which is what placement is all about,” Bennicoff says.
To the Stockholders of Career Education Corporation:

We have audited, in accordance with auditing standards generally accepted in the United States, the consolidated balance sheets of Career Education Corporation and Subsidiaries as of December 31, 2001 and 2000, and the related consolidated statements of income, stockholders’ equity and cash flows for each of the three years in the period ended December 31, 2001 and, in our report dated January 29, 2002, we expressed an unqualified opinion on those statements. As explained in Note 4 to the consolidated financial statements, effective January 1, 2000, the Company changed its method of accounting for application and registration fees to comply with specific provisions and guidance of Staff Accounting Bulletin No. 101, Revenue Recognition. In our opinion, the information set forth in the condensed consolidated financial statements on pages 15 through 17, is fairly stated, in all material respects, in relation to the consolidated financial statements from which it has been derived.

Arthur Andersen LLP

Arthur Andersen LLP
Chicago, Illinois
January 29, 2002
## Condensed Consolidated Statements of Income

For the Years Ended December 31 (Amounts in Thousands, Except EPS)

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<td>(1,493)</td>
<td>(1,358)</td>
<td>(1,482)</td>
</tr>
<tr>
<td>Share of affiliate earnings</td>
<td>1,674</td>
<td>—</td>
<td>—</td>
</tr>
<tr>
<td><strong>Total other income (expense)</strong></td>
<td><strong>915</strong></td>
<td><strong>126</strong></td>
<td><strong>(1,153)</strong></td>
</tr>
<tr>
<td><strong>Income before provision for income taxes and cumulative effect of change in accounting principle</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Provision for income taxes</td>
<td>31,382</td>
<td>17,322</td>
<td>8,255</td>
</tr>
<tr>
<td><strong>Income before cumulative effect of change in accounting principle</strong></td>
<td><strong>38,355</strong></td>
<td><strong>22,184</strong></td>
<td><strong>10,943</strong></td>
</tr>
<tr>
<td>Cumulative effect of change in accounting principle, net of taxes of $587</td>
<td>—</td>
<td>(778)</td>
<td>—</td>
</tr>
<tr>
<td><strong>Net income</strong></td>
<td><strong>38,355</strong></td>
<td><strong>21,406</strong></td>
<td><strong>10,943</strong></td>
</tr>
</tbody>
</table>

### Basic

<table>
<thead>
<tr>
<th></th>
<th>2001</th>
<th>2000</th>
<th>1999</th>
</tr>
</thead>
<tbody>
<tr>
<td>Income before cumulative effect of change in accounting principle</td>
<td>$0.88</td>
<td>$0.59</td>
<td>$0.36</td>
</tr>
<tr>
<td>Net income</td>
<td>$0.88</td>
<td>$0.57</td>
<td>$0.36</td>
</tr>
</tbody>
</table>

### Diluted

<table>
<thead>
<tr>
<th></th>
<th>2001</th>
<th>2000</th>
<th>1999</th>
</tr>
</thead>
<tbody>
<tr>
<td>Income before cumulative effect of change in accounting principle</td>
<td>$0.85</td>
<td>$0.57</td>
<td>$0.34</td>
</tr>
<tr>
<td>Net income</td>
<td>$0.85</td>
<td>$0.55</td>
<td>$0.34</td>
</tr>
</tbody>
</table>

### Weighted average shares outstanding

<table>
<thead>
<tr>
<th></th>
<th>2001</th>
<th>2000</th>
<th>1999</th>
</tr>
</thead>
<tbody>
<tr>
<td>Basic</td>
<td>43,751</td>
<td>37,374</td>
<td>30,740</td>
</tr>
<tr>
<td>Diluted</td>
<td>45,390</td>
<td>38,780</td>
<td>31,756</td>
</tr>
</tbody>
</table>

The consolidated financial statements and accompanying footnotes are included in the Company's Form 10-K.
### Condensed Consolidated Balance Sheets

**As of December 31 (Amounts in Thousands)**

#### Assets

<table>
<thead>
<tr>
<th>Description</th>
<th>2001</th>
<th>2000</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Current assets:</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Cash and cash equivalents</td>
<td>$ 39,675</td>
<td>$ 33,742</td>
</tr>
<tr>
<td>Receivables, net of allowance for doubtful accounts</td>
<td>$ 62,813</td>
<td>$ 33,651</td>
</tr>
<tr>
<td>Inventories, prepaid expenses and other current assets</td>
<td>$ 28,106</td>
<td>$ 18,837</td>
</tr>
<tr>
<td><strong>Total current assets</strong></td>
<td>$ 130,594</td>
<td>$ 86,230</td>
</tr>
<tr>
<td>Property and equipment, net</td>
<td>$ 148,044</td>
<td>$ 90,836</td>
</tr>
<tr>
<td>Intangible assets, net</td>
<td>$ 204,596</td>
<td>$ 93,634</td>
</tr>
<tr>
<td>Other assets</td>
<td>$ 7,555</td>
<td>$ 9,999</td>
</tr>
<tr>
<td><strong>Total other assets</strong></td>
<td>$ 360,195</td>
<td>$ 194,469</td>
</tr>
<tr>
<td><strong>Total Assets</strong></td>
<td>$ 490,789</td>
<td>$ 280,699</td>
</tr>
</tbody>
</table>

#### Liabilities and Stockholders’ Equity

<table>
<thead>
<tr>
<th>Description</th>
<th>2001</th>
<th>2000</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Current liabilities:</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Current maturities of long-term debt</td>
<td>$ 44,369</td>
<td>$ 4,494</td>
</tr>
<tr>
<td>Accounts payable</td>
<td>$ 14,206</td>
<td>$ 7,608</td>
</tr>
<tr>
<td>Accrued expenses</td>
<td>$ 20,910</td>
<td>$ 21,202</td>
</tr>
<tr>
<td>Deferred tuition revenue</td>
<td>$ 40,888</td>
<td>$ 23,610</td>
</tr>
<tr>
<td><strong>Total current liabilities</strong></td>
<td>$ 120,373</td>
<td>$ 56,914</td>
</tr>
<tr>
<td><strong>Long-term liabilities:</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Long-term debt, net of current maturities</td>
<td>$ 45,553</td>
<td>$ 14,626</td>
</tr>
<tr>
<td>Deferred income tax liabilities</td>
<td>$ 8,245</td>
<td>$ 6,185</td>
</tr>
<tr>
<td>Other long-term liabilities</td>
<td>$ 10,213</td>
<td>$ 2,081</td>
</tr>
<tr>
<td><strong>Total long-term liabilities</strong></td>
<td>$ 64,011</td>
<td>$ 22,892</td>
</tr>
<tr>
<td><strong>Stockholders’ equity</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>$ 306,405</td>
<td>$ 200,893</td>
</tr>
<tr>
<td><strong>Total liabilities and stockholders’ equity</strong></td>
<td>$ 490,789</td>
<td>$ 280,699</td>
</tr>
</tbody>
</table>

The consolidated financial statements and accompanying footnotes are included in the Company's Form 10-K.
## Condensed Consolidated Statements of Cash Flows

For the Years Ended December 31 (Amounts in Thousands)

<table>
<thead>
<tr>
<th></th>
<th>2001</th>
<th>2000</th>
<th>1999</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Cash Flows from Operating Activities</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Net income</td>
<td>$38,355</td>
<td>$21,406</td>
<td>$10,943</td>
</tr>
<tr>
<td>Adjustments to reconcile net income to net cash provided by operating activities:</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Depreciation and amortization</td>
<td>30,818</td>
<td>20,594</td>
<td>14,557</td>
</tr>
<tr>
<td>Deferred income taxes</td>
<td>13,167</td>
<td>4,363</td>
<td>750</td>
</tr>
<tr>
<td>Cumulative effect of change in accounting principle</td>
<td>—</td>
<td>778</td>
<td>—</td>
</tr>
<tr>
<td>Compensation expense related to options</td>
<td>52</td>
<td>52</td>
<td>61</td>
</tr>
<tr>
<td>Loss on sale of property and equipment</td>
<td>10</td>
<td>22</td>
<td>—</td>
</tr>
<tr>
<td>Changes in operating assets and liabilities, net of acquisitions</td>
<td>(30,421)</td>
<td>(21,579)</td>
<td>7,880</td>
</tr>
<tr>
<td>Net cash provided by operating activities</td>
<td><strong>51,981</strong></td>
<td><strong>25,636</strong></td>
<td><strong>34,191</strong></td>
</tr>
</tbody>
</table>

| **Cash Flows from Investing Activities** |          |          |          |
| Business acquisitions, net of acquired cash | (44,212) | (31,651) | (42,136) |
| Acquisition transaction costs | (1,953)   | (3,273)  | (1,554)  |
| Purchases of property and equipment, net | (54,550) | (28,453) | (12,169) |
| Change in investment in affiliate | 23        | —        | —        |
| Net cash used in investing activities | **(100,692)** | **(63,377)** | **(55,859)** |

| **Cash Flows from Financing Activities** |          |          |          |
| Issuance of common stock | 10,971    | 67,952   | 16,623   |
| Equity and debt financing costs | (30)      | (4,125)  | (2,094)  |
| Payments of long-term debt | (16,655)  | (2,929)  | (1,568)  |
| Payments of capital lease obligations | (6,878)   | (3,509)  | —        |
| Net proceeds from (payments of) revolving loans under Credit Agreement | 67,500    | (30,500) | 29,750   |
| Net cash provided by financing activities | **54,908** | **26,889** | **42,711** |

| Effect of foreign currency exchange rate changes on cash and cash equivalents | (264) | (151) | 154 |
| Net increase (decrease) in cash and cash equivalents | 5,933 | (11,003) | 21,197 |
| Cash and cash equivalents, beginning of year | 33,742 | 44,745 | 23,548 |
| Cash and cash equivalents, end of year | **$39,675** | **$33,742** | **$44,745** |

The consolidated financial statements and accompanying footnotes are included in the Company's Form 10-K.
Safe Harbor Statement

This Annual Report contains various forward looking statements within the meaning of the Private Securities Litigation Reform Act of 1995. These statements are based upon various assumptions, and certain risks and uncertainties could cause actual results to differ materially from those stated. Factors that could cause such differences include risks and other matters disclosed in the Company's filings with the Securities and Exchange Commission. Career Education Corporation assumes no obligation to update its forward looking statements.

Common Stock

The Company's Common Stock trades on the Nasdaq National Market System under the symbol CECO. The company has not paid any cash dividends to its common stockholders since its inception and does not intend to pay any cash dividends in the foreseeable future.

As of March 19, 2002 there were 68 holders of record of CEC’s common stock. The range of high and low closing sale prices for the last two fiscal years for the Common Stock reflects CEC’s 2 for 1 stock splits affected in the form of stock dividends in August 2000 and October 2001, which is as follows:

<table>
<thead>
<tr>
<th>00 Quarter Ended</th>
<th>High</th>
<th>Low</th>
</tr>
</thead>
<tbody>
<tr>
<td>March 31, 2000</td>
<td>$ 9.94</td>
<td>$ 7.78</td>
</tr>
<tr>
<td>June 30, 2000</td>
<td>$ 12.31</td>
<td>$ 7.00</td>
</tr>
<tr>
<td>September 30, 2000</td>
<td>$ 22.63</td>
<td>$ 12.06</td>
</tr>
<tr>
<td>December 31, 2000</td>
<td>$ 22.75</td>
<td>$ 13.00</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>01 Quarter Ended</th>
<th>High</th>
<th>Low</th>
</tr>
</thead>
<tbody>
<tr>
<td>March 31, 2001</td>
<td>$ 25.63</td>
<td>$ 15.47</td>
</tr>
<tr>
<td>June 30, 2001</td>
<td>$ 30.68</td>
<td>$ 22.72</td>
</tr>
<tr>
<td>September 30, 2001</td>
<td>$ 33.61</td>
<td>$ 21.69</td>
</tr>
<tr>
<td>December 31, 2001</td>
<td>$ 36.52</td>
<td>$ 22.87</td>
</tr>
</tbody>
</table>
# Career Education Corporation Campuses

## United States

### Arizona
- **Collins College** IT, VC  
  Tempe  
  [www.collinscollege.edu](http://www.collinscollege.edu)
- **Scottsdale Culinary Institute** CA  
  Scottsdale  
  [www.scichefs.com](http://www.scichefs.com)

### California
- **American InterContinental University** B, IT, VC  
  Los Angeles  
  [www.aiula.edu](http://www.aiula.edu)
- **Brooks College** VC  
  (Location: Milpitas)  
  [www.brookssanjose.com](http://www.brookssanjose.com)
- **Brooks Institute of Photography** VC  
  Santa Barbara  
  [www.brooks.edu](http://www.brooks.edu)
- **California Culinary Academy** CA  
  San Francisco  
  [www.baychef.com](http://www.baychef.com)
- **California School of Culinary Arts** CA  
  Pasadena  
  [www.scsca.com](http://www.scsca.com)

### Connecticut
- **Gibbs College** B, IT, VC  
  Norwalk  
  [www.gibbscollege.com](http://www.gibbscollege.com)

### Florida
- **American InterContinental University** B, IT  
  Ft. Lauderdale  
  [www.aiuflorida.com](http://www.aiuflorida.com)
- **International Academy of Design and Technology** B, IT, VC  
  Miami  
  [www.iadt.com](http://www.iadt.com)
- **International Culinary Academy** CA  
  Orlando  
  [www.icac.com](http://www.icac.com)
- **Katharine Gibbs School** B, IT, VC  
  Philadelphia (Location: Norristown)  
  [www.kgibbsphiladelphia.com](http://www.kgibbsphiladelphia.com)

### Georgia
- **American InterContinental University** B, IT, VC  
  Atlanta (Location: Buckhead)  
  [www.aiubuckhead.com](http://www.aiubuckhead.com)
- **American InterContinental University** IT, VC  
  Atlanta (Location: Dunwoody)  
  [www.aiudunwoody.com](http://www.aiudunwoody.com)

### Illinois
- **The Cooking and Hospitality Institute of Chicago** CA  
  Chicago  
  [www.chicnet.org](http://www.chicnet.org)
- **International Academy of Design and Technology** B, IT, VC  
  Chicago  
  [www.iadtchicago.com](http://www.iadtchicago.com)
- **National American University**  
  Chicago  
  [www.nationalamerican.edu](http://www.nationalamerican.edu)
- **International Culinary Academy** CA  
  Pittsburgh  
  [www.icapittsburgh.com](http://www.icapittsburgh.com)

### Massachusetts
- **Katharine Gibbs School** B, IT, VC  
  Boston  
  [www.kgibbsboston.com](http://www.kgibbsboston.com)
- **Touro College**  
  Boston  
  [www.touro.edu](http://www.touro.edu)

### Minnesota
- **Brown College** IT, VC  
  Minneapolis  
  [www.browncollege.edu](http://www.browncollege.edu)

### New Hampshire
- **McIntosh College** B, IT, VC  
  Manchester  
  [www.mcintoshcollege.com](http://www.mcintoshcollege.com)
- **Atlantic Culinary Academy** CA  
  Dover  
  [www.aca.com](http://www.aca.com)

### New Jersey
- **Gibbs College** B, IT, VC  
  Montclair  
  [www.gibbsmontclair.com](http://www.gibbsmontclair.com)
- **Katharine Gibbs School** B, IT, VC  
  Piscataway  
  [www.gibbseducation.com](http://www.gibbseducation.com)

### New York
- **Briarcliffe College** B, IT, VC  
  Bethpage  
  [www.briarcliffe.edu](http://www.briarcliffe.edu)
- **Katharine Gibbs School** B, IT, VC  
  Melville  
  [www.kgibbsmelville.com](http://www.kgibbsmelville.com)
- **Katharine Gibbs School** B, IT, VC  
  New York  
  [www.kgibbsny.com](http://www.kgibbsny.com)

### Oregon
- **Western Culinary Institute** CA  
  Portland  
  [www.westernculinary.com](http://www.westernculinary.com)

### Pennsylvania
- **International Academy of Design and Technology** B, IT, VC  
  Philadelphia (Location: Norristown)  
  [www.iaod.com](http://www.iaod.com)
- **Pennsylvania Culinary Institute** CA  
  Pittsburgh  
  [www.paculinary.com](http://www.paculinary.com)

### Rhode Island
- **Katharine Gibbs School** B, IT, VC  
  Providence  
  [www.kgibbsprovidence.com](http://www.kgibbsprovidence.com)

### Texas
- **Texas Culinary Academy** CA  
  Austin  
  [www.txca.com](http://www.txca.com)

### Virginia
- **Gibbs School** B, IT, VC  
  Richmond  
  [www.gibbsrichmond.com](http://www.gibbsrichmond.com)
- **International Academy of Design and Technology** B, IT, VC  
  Fairmont  
  [www.iadtwv.com](http://www.iadtwv.com)

### West Virginia
- **International Academy of Design and Technology** B, IT, VC  
  Fairmont  
  [www.iadtwv.com](http://www.iadtwv.com)

---

### Principal Curricula:

- **B** = Business Studies
- **CA** = Culinary Arts
- **IT** = Information Technology
- **VC** = Visual Communication and Design Technologies
directors and management

BOARD OF DIRECTORS

John M. Larson
Chairman, President and
Chief Executive Officer

Patrick K. Pesch
Executive Vice President,
Chief Financial Officer,
Treasurer and Secretary

Robert E. Dowdell
Chief Executive Officer of
Marshall & Swift, L.P.

Wallace O. Laub
Former Executive Vice President
of National Education Centers, Inc.

Keith K. Ogata
President of 3K Financial
Corporation

BOARD OF DIRECTORS

CORPORATE OFFICERS AND MANAGEMENT

John M. Larson
Chairman, President and
Chief Executive Officer

Patrick K. Pesch
Executive Vice President,
Chief Financial Officer,
Treasurer and Secretary

Nick Fluge
Executive Vice President
of Operations and Chief Operating
Officer — E-Learning Division

Jacob P. Gruver
Executive Vice President
of Operations and Assistant
Secretary

Dr. Jon Cooper
Senior Vice President of Marketing

Dr. Patricia A. Kapper
Senior Vice President of Education

Mark H. Griesbaum
Chief Information Officer

Patricia Martin
Vice President and Managing
Director — Gibbs Division

Carol L.A. Menck
Vice President of
Student Management

Robert W. Nachtsheim
Vice President of Divisional Finance
and Accounting and Assistant
Secretary

Paul R. Ryan
Vice President and Managing
Director — Culinary Division

Jeffrey S. Tice
Vice President and Managing
Director — Academy Division

Mark J. Tobin
Vice President of Student
Finance and Regulatory Affairs

Dr. James B. Vernon
Senior Vice President of Strategic Planning
and Development

J. Patrick Andrews
Vice President of Advertising

Mari-Ann Deering
Vice President
of Human Resources

John P. Graham
Vice President of Corporate
Finance and Accounting

FINANCIAL ANALYSTS WHO FOLLOW
CAREER EDUCATION CORPORATION (AS OF MARCH 2002)

Howard Block
Banc of America Securities
600 Montgomery Street
San Francisco, CA 94111

Gregory Capelli
Credit Suisse First Boston
227 West Monroe Street
Suite 4200
Chicago, IL 60606

Alexander Paris, Jr.
Barrington Research
Associates
161 North Clark Street
Suite 2950
Chicago, IL 60601

Mark Farano
First Analysis Securities
Corporation
9500 Sears Tower
Chicago, IL 60606

Matthew Litfin
William Blair and Company
222 West Adams Street
Chicago, IL 60606

Gerald Odening
J.P. Morgan H&Q
270 Park Avenue
New York, NY 10017

Bob Craig/Jerry Herman
Legg Mason Wood Walker
200 Public Square
Suite 2950
Cleveland, OH 44114

Richard Close
SunTrust Robinson-
Humphreys Equity
Capital Markets
800 Nashville City Center
Nashville, TN 37219

Mark Marostica
US Bancorp Piper Jaffray
800 Nicollet Mall
Minneapolis, MN 55402

Mark H. Griesbaum
Chief Information Officer

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Director — Gibbs Division

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Mari-Ann Deering
Vice President
of Human Resources

John P. Graham
Vice President of Corporate
Finance and Accounting
Career Education Corporation’s 42 schools, colleges and universities are leaders in their markets, have long operating histories, sterling reputations and well-known brand names. They are “schools of choice”—selected by students who have many other educational options. Students choose CEC schools because they deliver a premier education that prepares them for successful and rewarding careers in four high growth areas—visual communication and design technologies, information technology, business studies and culinary arts.

During 2002, we expect to generate the most revenue from brick-and-mortar campuses compared to any group in the private, for-profit postsecondary education industry.

We have a powerful reason for being that excites enthusiasm and translates into a win-win for all: an outstanding education and lifetime career skills for our students, a highly qualified work force for employers, rewarding careers for our employees, and outstanding returns for our shareholders.
MISSION STATEMENT

We are a dynamic educational services company committed to quality, career-focused learning led by passionate professionals who inspire individual worth and lifelong achievement.

Turning Dreams Into Futures

Career Education Corporation

Career Education Corporation's 42 schools, colleges and universities provide students with the education they need for long and satisfying careers, and prospective employers with a highly qualified pool of workers from which to choose. CEC offers postsecondary associate, bachelor's and master's degree programs and non-degree diploma and certificate programs in four core curricula:

- visual communication and design technologies
- information technology
- business studies
- culinary arts