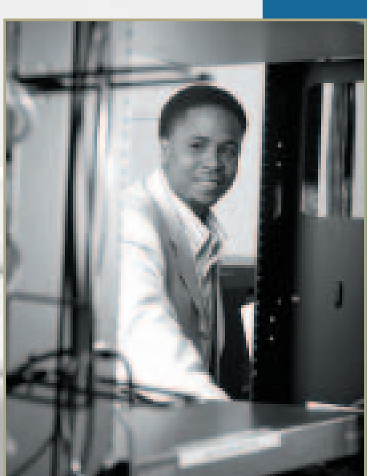
Strayer Education, Inc.

2005 Annual Report

GREG BLANCHE

Systems Engineer, NETCONN Solutions, Inc.

Bachelor of Science in Internetworking Technology '03



Greg Blanche values leadership. As an enlisted soldier in the U.S. Army he rose through the ranks from Technician to Supervisor. When he left the service after 11 years he aspired to a management position in information technology, but knew he needed the formal credentials to be competitive in the civilian job market.

Mr. Blanche was nervous about returning to school as an adult student after so many years. It was a relief to learn that some of his Army training and real-world experience could be translated into college credit. Strayer University's admissions officers and academic advisors helped him determine the best course of study to suit his strengths and help him meet his career goals.

"The hands-on experience I gained at Strayer University gave me the opportunity for a promotion onto the management track," Mr. Blanche says. "I am now well-positioned to be a leader at my company and in my field."

Our Mission

To make high quality post-secondary education achievable for working adults

Strayer Education, Inc. is a for-profit education services corporation. Our mission is to make high quality, post-secondary education achievable for working adults. We work to fulfill this mission by offering a variety of academic programs through Strayer University, an institution of higher learning founded in 1892. The University offers undergraduate and graduate degrees in business administration, accounting, health services administration, information technology, education and public administration. Strayer University is regionally accredited by the Middle States Commission on Higher Education, one of the six regional college accrediting agencies recognized by the U.S. Department of Education.

Today, Strayer University educates more than 27,000 students at 39 physical campuses in the eastern United States, and worldwide over the Internet through Strayer University Online. The University's programs are designed to fit the lives of working adults who are pursuing college educations to advance their careers and personal goals. Strayer University provides students a unique educational environment that is supportive of working adults and offers the convenience and flexibility of attending evening, weekend or online classes.

Since Strayer's establishment more than 100 years ago, its mission of providing the finest education to adult students has remained unchanged. The introduction from Strayer's 1912 student catalog, reprinted below, is testimony to the continuity of our commitment.

Introduction from the Strayer 1912 student catalog

Strayer's campus circa 1912

This catalog was written with a view of setting before the men and women of this community some of the advantages of a business education, and of acquainting them with the superior facilities of this school for giving high-grade business training.

The courses have been designed and presented to meet the needs of the business office of today. The teachers are men and women who are specialists in their respective subjects. The school rooms have been chosen and equipped with special reference to light, comfort and sanitation, so as to make it an ideal place for study.

We ask that the public, in determining which school it shall attend, to consider the facts in connection with this school, as are outlined in this catalog and supplementary literature. It is twenty years old. It has grown steadily since the beginning. It attributes its growth to correct ideals, careful management and successful, enthusiastic, and rapidly increasing alumni.

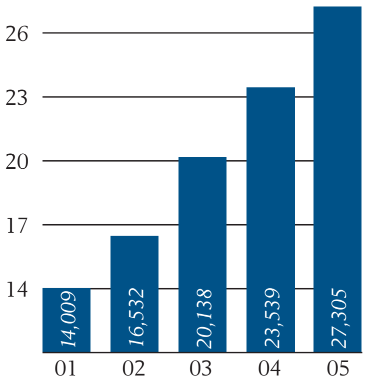
While it is essential to its success that a school should give thorough instruction in the subjects that comprise its courses, yet the school that does only this, falls short of its full mission. The development of those traits of character which make for reliability in business and good citizenship are the peculiar province of the school as well as the home. This school, then, has nothing in common, can have nothing in common, with those so-called business schools offering cheap and superficial courses. Such courses, while inexpensive, and possibly of short duration, cannot result in anything but disappointment in the end.

This school, then, stands for high ideals, it courts investigation, welcomes comparison, and stands by its promises. It is a school to which you may attend with the knowledge that you will be in pleasant surroundings, will be accorded fair treatment, and will be given thorough and painstaking instruction.

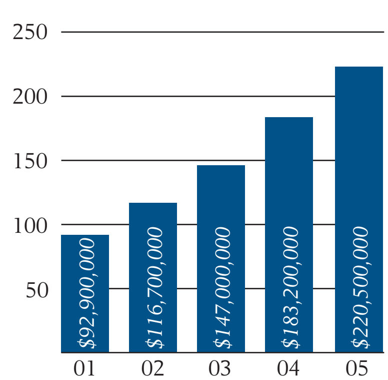
Finally, in presenting this catalog, we want to thank a discerning public for its support, and assure it that we shall endeavor to continue to merit the bountiful confidence it has heretofore placed in us.

Selected Financial Data

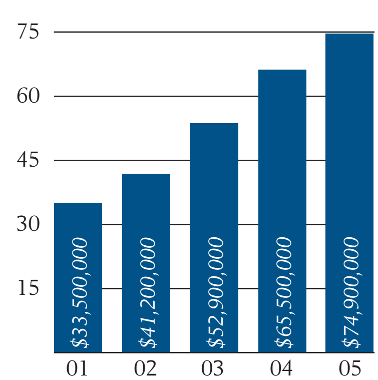
Student Enrollment
Fall Quarter



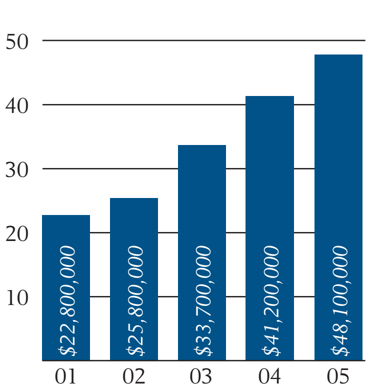
Revenues



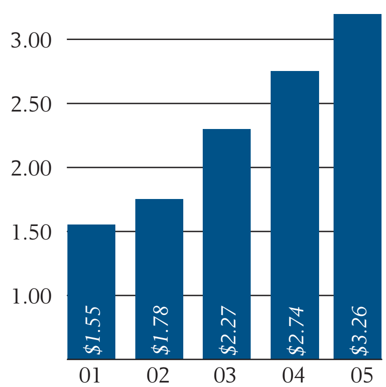
Operating Income

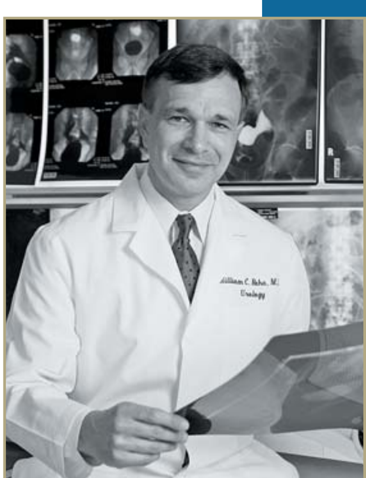


Net Income



Earnings Per Share
(diluted)





William Reha, M.D.

Surgeon, Potomac Hospital
Master of Business Administration '98

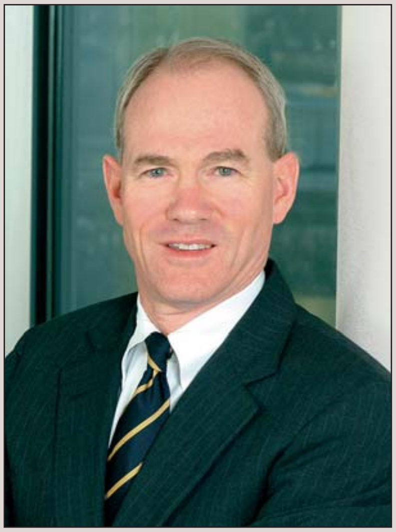
Dr. William Reha believes success is not enough. That's why he returned to school for a master's degree even after establishing a thriving surgical practice. The former Hospital Chief of Staff had assumed new administrative and management responsibilities, and wanted the finance and business skills to back them up.

Examining patients and spending long hours in the operating room left Dr. Reha with little free time for traditional graduate courses. Strayer University's flexible degree program allowed him to keep up with his patients and his studies—and still have time for his two children.

"Strayer University's graduate programs were designed for working professionals like me," Dr. Reha says. "I was able to balance work and family obligations while gaining the business education I needed to operate a successful private clinical practice."

Letter to Shareholders

Robert S. Silberman
Chairman & Chief Executive Officer



Dear Fellow Shareholder,

In this letter I would like to update you on Strayer Education, Inc.'s progress in 2005, and highlight the opportunities and challenges we face in 2006. In addition, as 2005 marked the fifth year of current management's stewardship of Strayer Education, I also intend in this letter to revisit those assumptions about the business which informed our strategy five years ago, and measure those assumptions against our actual experience. Reprinted on page 8 of this annual report is an excerpt from my 2001 letter to shareholders which describes our strategy for increasing the value of Strayer Education. The excerpt also describes what our company actually does, and how our business model generates both reported net income and distributable cash flow for our shareholders. Factual updates in the excerpt are italicized and reflect positive developments since 2001. Shareholders who are new to Strayer, or those long term shareholders who wish to review our strategy and business model, should read the excerpt on page 8 before reading this letter.

In 2005, Strayer University continued to expand its geographic footprint by successfully opening five new campuses. These included two campuses in Tampa, Florida (our first beachhead in that state) and one campus each in Greensboro, North Carolina; Columbia, South Carolina; and Atlanta, Georgia. While four of these campuses were in new markets for us, we are pleased that all five campuses are growing their student and faculty populations on or ahead of our model for campus growth. This year we also enjoyed solid performance from those campuses we opened in 2004. All five of the 2004 campuses became profitable by December 2005, well within our expectations. For more detail on our model for campus growth, please see our 2004 Investor Day presentation available on our website, www.strayereducation.com.

In 2005, we sought and received authorization to open campuses in the state of Delaware, making Strayer University the first for-profit university to gain such approval. In 2005, we also saw significant growth in the three new master's degree programs we introduced in early 2004: Education, Health Services Administration, and Public Administration. In June we graduated the first class from these programs, and by the end of the year the programs had grown to over 1,500 students, or approximately 6% of our total student population.

During 2005, our out-of-area online unit, through which we serve students in markets in which we do not operate campuses, grew by approximately 40%, increasing to over 3,000 students for the fall term. Of course, we make our online courses available to all our campus based students as well, and by year end over half of our student population had taken some, or all, of their classes online. As I have described in previous letters, we view Strayer University Online as an integral and fully integrated part of Strayer University. We encourage all our students to take classes at the location they find most convenient, either at any of our physical campuses or online. Our challenge as university administrators is to ensure consistently high standards of academic quality in all of our classrooms, be they physical or virtual.

To meet that challenge, we instituted a number of educational support initiatives in 2005. First, we supplemented our academic staff with an extensive tutoring system. All of our students now have unlimited access to subject matter experts to assist them in mastering concepts with which they are having difficulty in the classroom. Our tutors, who are available at all of our campuses and online, are primarily full time or adjunct Professors at Strayer University. In addition to the tutoring program, in 2005 we instituted remedial math and English courses for our students whose high school preparation in these basic areas turns out to be insufficient to succeed at the college level.

During the year, we also added a Retention Manager and Retention Officers at each campus to provide non-academic customer service support for our existing students. Through excellent customer service we hope to make it logistically easy for students to get to our physical and virtual classrooms, while through rigorous academics we intend to make it intellectually challenging for students in those classrooms.

We implemented our new retention positions in January of 2005. We staffed them, for the most part, from our most successful Admissions Officers. This had what in hindsight should have been an entirely predictable effect of lowering the effectiveness of our new student recruitment for the spring 2005 term. Indeed, in the spring 2005 term we admitted the same number of new students as we had the year before, not withstanding the investments we had made in adding new campuses and expanding our out-of-area online unit. While unsettling to have missed the foreseeable short term impact of our organizational change, I firmly believe it was the correct long term decision for the company, and our new student growth bounced back nicely in the 2005 summer and fall terms, ending up for the year at 15%. Moreover, our increased focus on educational support and student service helped us in 2005 to increase our retention rate to approximately 80%, and increase the number of our graduates by 39%.

I am pleased to report that this year we made faster than expected progress on our bad debt expense, an issue I highlighted in last year's letter to shareholders. Our bad debt expense in 2004 had risen to 2.3% of revenue from 1.8% in 2003. Indeed, in the fourth quarter of 2004 our bad debt expense rose as high as 2.9%. Our Chief Financial Officer, Mark Brown, and I made a number of adjustments to our credit policy at the campus level at the end of 2004 which we hoped would stabilize our annual bad debt expense at the 2.9% level for 2005. We outperformed that mark significantly, achieving 2.5% for the full year.

Another important metric we pay close attention to as managers is the rate at which our students default on their Title IV federally guaranteed loan obligations. Students use the proceeds of those loans to pay us for their tuition. The U.S. government tracks and publishes this statistic, known as the cohort default rate, for all academic institutions. Strayer's reported cohort default rate in 2005 fell to 2.7% (down from 3.7% in 2004), making Strayer University alumni statistically among the best credit risks of any students in the nation.

In 2005, we signed a number of new agreements with corporate and institutional education partners, including many community colleges. We see community colleges as a natural feeder system to our bachelor's programs. We find that graduates of community colleges, who come to Strayer University having already earned an associate degree, often perform better than those students who enroll at Strayer with no previous college credit. Similar to previous years, we received approximately 20% of our revenue in 2005 from corporate and institutional partners. We continue to provide a discount to our largest alliance partners of approximately 5% of tuition, except in the case of the United States Military, for whom we provide a more significant discount of approximately 40%.

I am particularly pleased to report to my fellow shareholders that in 2006 we plan to accelerate the rate of reinvestment in our business by opening eight new campuses, versus the five we opened in 2005. While this increase in capital employment will cause our operating margins to suffer slightly in 2006, we believe the high unlevered internal rate of return (in excess of 70% by our calculation) which we can generate with these investments are well worth the cost. I believe the question shareholders should ask is not *why* would Strayer spend this money, but rather, can Strayer continue to maintain its high academic quality *while* spending this money.

We feel that we can accelerate our rate of campus growth for several reasons. First, we have limited the number of new campuses we open annually to five since 2003. This has allowed the base of our University to gather scale and strength. Since we source our new campus leadership almost exclusively internally, the bigger our base of operating units, the less risk each incremental unit opening poses. Second, we have spent an enormous amount of time, effort and money on our internal management development programs over the last three years. This extensive internal training of our workforce has significantly deepened our bench strength for both Campus Directors and Campus Deans. Finally, in 2005 we instituted an important organizational innovation, a separate dedicated management team to open our new campuses. Prior to 2005, the opening of a new campus was managed by the existing Regional Director and Dean in whose geography the campus was located. This distracted the regional leadership from the important task of overseeing the existing campuses in the region. It also made it difficult for us to effectively harvest lessons learned from each campus opening. To solve both of these problems, in early 2005 we set up a small team of specialists to handle all the openings of our new campuses, regardless of their location. This team, led by one of our most talented and experienced executives, Kristin Jones, performed so well in 2005 that in concert with our deeper management bench, we felt we had the necessary ingredients to safely increase our rate of campus expansion in 2006.

During 2005, the company generated approximately $43 million in distributable cash flow. I define our distributable cash flow as our after-tax cash from ongoing operations of $55 million, minus our required capital expenditures (including those capital expenditures necessary to fund our growth) of $12 million. That $12 million of capital expenditures included $4 million to open five new campuses in 2005; $2 million for the renovation of three existing campuses; $2 million for two campuses opened for the 2006 winter term, and the remaining $4 million for information technology improvements and other routine maintenance.

We deployed that $43 million of distributable cash as follows: we returned $9 million to our shareholders in the form of common dividends, and we used the remaining $34 million, combined with an additional $4 million of our excess cash, to repurchase approximately 410,000 shares of our common stock at an average price of $92.59. During 2005, we felt we deployed as much financial capital into our organic growth strategy as we could, while still maintaining our academic quality. However, we were once again unable to find any acquisition candidates that we believed would add sufficient value to our enterprise, so we did not employ any of our financial capital for acquisitions.

Our balance sheet and capital structure at the end of 2005 remain quite strong. After our share repurchases we have approximately 14.7 million shares of common stock outstanding, $152 million of shareholder's equity, $120 million in cash or short term equivalents, and no debt. After looking at our prospects for 2006, and what we believe will be a rather predictable increase in distributable cash as we execute our organic growth strategy, our Board of Directors decided to double our annual dividend in 2006 to $1.00 per share. Please see my 2003 letter to shareholders (available on our website) for a more detailed discussion of how we approach capital allocation.

Five years ago, in January 2001, as a new management team we formulated a strategy to increase the value of Strayer Education. We based that strategy on a set of assumptions we made about the business and the environment it operated in. I believe five years is a reasonable period to measure both how we have executed that strategy, and what, if any, changes to our original assumptions are necessary in light of our experience. Our assumptions in 2001 were relatively simple:

- The value of a college education is rising with the transition from a manufacturing economy to a knowledge based economy.
- Working adults in search of a regionally accredited university degree are not adequately served by traditional universities.
- While difficult to serve properly from a traditional research university model, working adult students can be served effectively and profitably from a specialized model, as long as academic standards are maintained.
- Strayer University, with its over 100 year history and Middle States accreditation, was a valuable platform with which to take advantage of this mismatch between supply and demand.

Executing a strategy based on these assumptions we have accomplished the following over the last five years: maintained and enhanced the University's academic quality; added to the depth and variety of our academic offerings; expanded our operations from two states to 10; increased our campuses from 14 to 39; increased our student population from 12,000 to 27,000; increased our revenue from $78 million to $221 million; increased our earnings per share from $1.41 to $3.26; increased our annual dividend from $.25 to $1.00; and increased our return on invested capital from 28% to 115%.

Our experience over the last five years has not contradicted a single one of our prior basic assumptions. There are, however, a number of lessons learned from our performance to date which will inform our strategy over the next five years. These include:

— There remains a large underserved market for providing a quality education to working adults at the bachelor's and master's levels in the United States.

— As long as we continue to maintain and enhance our academic quality, Strayer University's brand is expandable into new locations.

— Our campus based students want the opportunity to take some or all of their courses online.

— The combination of high initial rates of student growth and relatively low capital cost makes opening new campuses a very attractive use of our owner's capital, earning unlevered internal rates of return in excess of 70%.

— Our product commands price increases well in excess of the rate of inflation.

— Surprisingly, our graduate programs, where we have less of a competitive advantage versus traditional universities, have actually grown at a faster rate than our undergraduate programs.

— Our divided management structure, where we separate the academic and administrative functions at each level, while inherently inefficient, is actually the best way to achieve superior performance in an institution operating simultaneously as an accredited university and for-profit corporation.

— Acquisitions are very difficult to properly execute given the complexity of what we are trying to accomplish: building a first rate nationwide university to serve working adults with both open access and high academic standards.

— There is a natural pattern of student growth at each of our campuses, which results in the addition of approximately 100–150 students per year until a campus plateaus at an average of 1,000–1,200 students.

— Finally, and most importantly, the creation of long term value for our owners depends on our ability to maintain high academic quality and strong student outcomes. All other variables: rate of growth, marketing expenditures, operating margins, etc. are secondary in importance. As I wrote in my letter to shareholders in 2003, *"It is important to remember that the purchase of shares of Strayer Education, Inc. is ultimately an investment in the outcomes of our students. The attractive financial returns in our business are entirely predicated on the academic quality of the educational services we offer."*

The last two lessons learned are inextricably related. The pattern of student population growth at an individual campus is based both on a surprisingly consistent demand across all our markets, as well as the limit on our ability to ensure academic quality in a rapidly growing educational institution. While over time we have been able to significantly increase our rate of unit expansion (i.e. number of campuses we open per year), we find it difficult to increase the rate of growth within the campus unit without putting quality at risk. This is so for the simple reason that what we do as an organization, providing a university education, is essentially an interaction between a professor and students. We delegate to a Campus Dean the responsibility of hiring professors and overseeing that interaction. We have found that if the Dean tries to hire too many professors at once, it is almost impossible to ensure the quality of the student's experience. We have a growing confidence in our ability to increase the number of Deans we develop each year, as long as we keep the Dean's responsibilities and objectives limited and realistic. By the same token, we believe that if a Campus Director strains to increase his or her rate of student population growth beyond the demand which is inherent in a market, we significantly increase the risk that the campus will be populated by students who will not, or can not, benefit from the education. As a management team, we do not intend to let that happen.

In 2006, Strayer will make its own small contribution to world affairs as our University President, Dr. J. Chris Toe, will be leaving us in April to serve as the Minister of Agriculture of The Republic of Liberia. Chris, who many of you have met at our Investor Days, is originally from Liberia, and holds a Ph.D. in agricultural economics from Texas Tech University. He has been at Strayer since 1992, serving as a Professor, Campus Dean, Head of the Economics Department, Regional Dean, Provost, and finally University President. While serving as Liberia's Minister of Agriculture, Chris will remain an adjunct member of Strayer University's economics faculty, and will continue to teach classes for us online, which ought to provide for some interesting case studies for his students. We are also delighted that he will continue to serve as a member of our University's Board of Trustees, and we wish him the best on his challenging new assignment. The Board of Trustees is currently undertaking a search for his successor.

As is our custom, I have included in this annual report pictures of the four graduation ceremonies Strayer University held during 2005. I urge all shareholders to look at these pictures closely. Study them with the same care as you do our financial statements, because along with your dividends and capital gains, the graduates in these pictures are the tangible returns on your investments. Put another way, your dividends and capital gains would not occur without these graduation ceremonies. As our University has grown in size, we have had to move to a regional graduation structure. Please see our website for a list of the dates and locations of our 2006 commencement ceremonies. We do the best we can with pictures, but nothing replaces the experience of personally seeing your investment at work.

I look forward to seeing all of you at our 2006 Annual Meeting, to be held on May 3rd at our corporate offices at 1100 Wilson Blvd., Arlington, Virginia. Please let Sonya Udler, our Vice President of Corporate Communications, know if you are going to attend and if you would like to visit a Strayer University campus at the same time. We have eight campuses within an hour drive of our office, so whichever airport you are departing from, we can conveniently accommodate a visit.

Let me just finish by thanking you, on behalf of our entire management team and our Board of Directors, for the ongoing opportunity to be the stewards of your capital. Five years may seem like a long period in the world of equity investments. However, it is but a brief interlude in the history of a 115 year old educational institution. The introduction from Strayer's 1912 student catalog, reprinted on the first page of this annual report, is eloquent evidence of the standards and traditions we have inherited. In 2006, our mission remains to build a first class University for working adults. We still have much yet to accomplish.

Sincerely,

Robert S. Silberman
Chairman of the Board of Directors
Chief Executive Officer

Our Business Model

(Reprinted from the 2001 Annual Report)

Strayer Education, Inc. is an education services holding company whose primary asset is Strayer University, a *115* year old institution of higher learning focused on educating working adults. In this letter, when I use the term "Strayer", I am referring to the company, as opposed to the University. Strayer University, founded in 1892, offers associate, bachelor's, and master's level degree programs in Business Administration, Accounting, and Computer Information Systems, *Education and Public Administration.* Strayer serves students at *39* physical campuses in Maryland, the District of Columbia, Virginia, *North Carolina, South Carolina, Tennessee, Pennsylvania, Georgia, Florida and Delaware.* In addition, Strayer serves students in all 50 states and *60* foreign countries worldwide on the Internet through Strayer University Online.

Strayer's revenue comes from tuition payments and fees paid by, or on behalf of, Strayer University students. That revenue comes in essentially three forms. Roughly half is paid through federally insured student loans by banks, approximately 20% is paid directly to Strayer by corporations or institutions on behalf of their employees who attend Strayer, and the remainder is paid by students through their own sources of credit.

Strayer's expenses include salaries paid to the faculty at the University who perform the teaching duties, salaries paid to the administrative and admissions staff who manage the campuses and recruit the students, and salaries paid to the corporate staff who manage the company's affairs. Expenses also include lease payments for the campus buildings we lease and depreciation for the campus buildings we own, as well as advertising and marketing costs which serve to attract prospective students to Strayer. Finally, our expenses include supplies; such as books, paper, pencils, desks, chairs and computers necessary to support the educational process. Some of the furniture and electronic equipment is capitalized on our balance sheet and the expense is recorded as amortization over the period we expect the equipment to last, in accordance with generally accepted accounting principles.

The difference between the revenue we take in and the expenses we pay out is used to first pay taxes and is then added to the after-tax income generated by our financial assets (cash and marketable securities on our balance sheet) to make up our reported net income on a fully diluted basis.

Two of the attractive attributes of our business are that it generates significant after-tax free cash flow from operations, and has a high return on invested capital. The required capital expenditures to keep our existing assets functioning are roughly equal to our depreciation expenses. The investment capital required to fund our growth initiatives is not major. This investment capital includes traditional GAAP defined capitalized expenses, as well as increased spending which runs through our income statement. We are therefore in the enviable position of generating almost our entire net income as distributable free cash flow, even after investing in our growth. Some of this cash we do distribute back to our shareholders as dividends. The rest of the cash we intend to maintain as liquidity to either fund new opportunities, or ultimately return to our shareholders in a tax efficient manner. We understand that the redeployment of this cash is crucial to creating shareholder value.

As both shareholders and management, we are excited by this business model because we believe that the value of a college degree is rising with the transition to a knowledge economy, and that working adult students in search of an accredited college degree are underserved. We know that Strayer's academic quality and convenience make it ideally suited to meet this growing demand. We have the right product, at the right time for a growing market. Our product, a quality college degree, is valued highly both by students and employers.

In 2001, we developed and committed to a new strategic plan, geared to expanding beyond our current regional focus to serve unmet nationwide demand for working adult post-secondary education. This plan consists of five elements:

— Reversing what had been a decline in the enrollment in our core mature campuses.

— Accelerating the addition of new campuses, by opening two to three per year, particularly beyond our current geographic scope.

— Investing in our online university.

— Maintaining strong alliances and outreach to the major employers of our students.

— Carefully screening opportunities to reinvest capital back into the sector through acquisitions.

A Tradition of Excellence in Education

With a history dating back to 1892, Strayer University is proud to continue its long-standing tradition of educating working adult students. These students often feel anxious about returning to school after many years. The dedicated and ongoing support of our campus and online teams helps students overcome their fears and provides them the support necessary to balance the demands of full-time employment and family obligations while maintaining their academic commitments.

Strayer University consistently strives to improve its services and offerings to cater to the needs of working adult students. The University regularly surveys its students and alumni to gain a better understanding of what services can best support them in their quest for higher education and professional advancement.

In response to survey results and direction from experienced faculty, Strayer University offers on-campus and online academic tutoring programs. Tutoring services, which are offered by members of the faculty, are available free to all students on an "as needed" basis throughout the academic year. In the University's tutoring centers, professors help students master the required academic theory and skills by working with them in a one-on-one capacity. Campus-based students now have the additional option of receiving tutoring online, making academic support services more convenient and accessible for busy adult students.

Strayer University also offers a robust academic advising program. Students in each discipline work closely with advisors who are experts in their field of study to determine course selection, education plans and discuss real-world workplace trends. Advising services are available to both on-campus and online students. Students also have access to many information literacy tools through Strayer University's extensive library system. Materials are available to students in both electronic and book format.

Proactive tutoring and advising are part of the commitment Strayer University makes to its students. From enrollment through graduation, Strayer students are savvy consumers who expect the University to provide high quality education in a service-oriented environment. For more than 100 years, our faculty and staff have met that expectation.

Dawn Dozier

SAP Consultant, IBM Global Services

Bachelor of Science in Economics '04

Dawn Dozier knows what it takes to earn a degree while traveling 200 days per year. The SAP consultant for IBM Global Services is constantly crossing time zones to meet with colleagues and clients from every corner of the globe. That means most of her studying happened at 30,000 feet.

Ms. Dozier knew she needed a degree to advance her career. She tried attending a traditional university, but the classes did not fit into her busy schedule. Then a friend told her that Strayer University was designed to meet the needs of working adults. She enrolled in online classes and earned a bachelor's degree without having to compromise her professional pursuits.

"Strayer University's online courses allowed me to continue my frequent business travel while studying," Ms. Dozier says. "My carry-on luggage was always packed with textbooks, but the heavy lifting was worth it. I was promoted immediately after graduation."

A Commitment to Accessibility

Strategic Alliances Program

Helping Community College Students Thrive

Many adults begin their road to higher education through a local community college. Two-year colleges provide an excellent opportunity for students to familiarize themselves with the demands and rigors of higher education while earning an associate degree. Strayer University pursues and maintains formal relationships with two-year colleges to easily transition their associate graduates to the University without loss of previously earned credit. By facilitating the transition from the community college to a regionally accredited University, students can continue their pursuit of a bachelor's or master's degree in an efficient manner. Through established agreements with two-year colleges, Strayer University furthers its mission of providing access to higher education.

Educating Today's Workforce

Strayer University strategically positions itself to play a significant role in workforce development by providing post-secondary education to employees of large government and military agencies and Fortune 500 companies. Through Strayer University's Strategic Alliances Program, organizations offer their employees the opportunity to further their education on-campus, on-site or online.

The University is proud to offer services tailored to the needs of each organization, including customized courses and educational programs that meet their unique business requirements. With articulation agreements and careful review of outside curricula, certain employer in-house training courses may transfer to Strayer University credits and be used toward degree programs. Alliances can include employer reimbursement arrangements or direct sponsorships, whereby the organization remits payment directly to Strayer University.

Today, Strayer University maintains alliances with many organizations including Boeing, Citizens Bank, DHL, Federal Express, JPMorgan Chase, Lockheed Martin, MCI, Northrop Grumman, SAIC, Sodexho, UPS, Verizon and Wachovia. The University also has alliance programs with government agencies, such as the Department of Defense, the General Services Administration, the United States Coast Guard and the United States Postal Service.

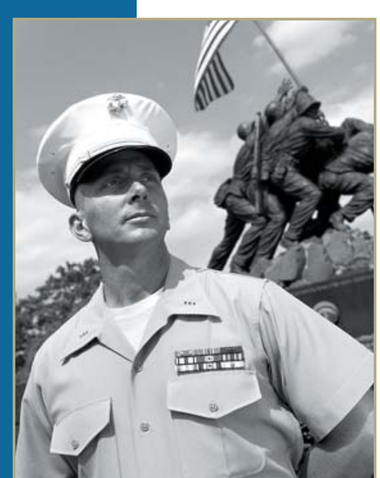
David Stabenaw

Chief Warrant Officer, U.S. Marine Corps Reserves
Information Security Analyst, Federal Reserve Bank
Bachelor of Science in Computer Networking '02
Master of Science in Computer Technology '04

Chief Warrant Officer David Stabenaw expects excellence from himself and others. Whether he is leading the U.S. Marine Corps' Civil Affairs Team in Iraq or selecting an institution of higher learning, he expects the best. That's why he chose Strayer University.

Fifteen years in the U.S. Marine Corps gave Officer Stabenaw the technological knowledge to succeed in a civilian career. All he needed was a college degree. When he transitioned from active duty to the Reserves, he searched for a university with superior professors and a sterling reputation. His goals were realized the day he found Strayer University.

"Strayer University's excellent instructors combined academic theory with real-world experience to thoroughly prepare students for the workforce," Officer Stabenaw says. "My education helped me land my current job at the Federal Reserve Bank and a promotion to Chief Warrant Officer in the Marine Corps Reserves."



The Future of Education
Strayer University Online

Education Anywhere at Anytime

Busy adults seek ways to simplify their lives. While juggling the demands of full time employment, family and other personal obligations, simplifying a hectic life is the key to a successful balancing act. Many adults are also seeking ways to improve their marketability and gain a competitive advantage in today's workforce. Earning an undergraduate or graduate degree makes a meaningful difference in preparing oneself for an upwardly mobile career path.

Strayer University Online provides adults the ability to earn a bachelor's or master's degree with the flexibility that easily fits into their lives. The University offers two online education delivery platforms. A real-time access method allows students to join a class via the Internet and meet classmates and the professor at a designated time and day each week. The on-demand approach provides students with the ability to access a lecture on any convenient day and time during the week. Both offerings provide the same high quality academics from Strayer University's experienced and accomplished faculty.

Online classes are delivered via multiple teaching modes, including visual, auditory and text methods. This trio delivery technique works to support each student's individual learning style. To ensure proper educational delivery, Strayer University regularly monitors the progress of its online classes through its Quality Assurance Program.

Strayer University Online also offers tutoring to help students master the skills and learning objectives for each class. Tutoring is coordinated online exclusively by Strayer University faculty. In addition, Strayer University Online students have access to the full array of academic and advising opportunities available to campus based students.

As a fully integrated part of the University, Strayer University Online is designed to provide adult students with the flexibility and convenience required to gain a higher education. By upholding the highest standards in education and measuring the learning outcomes of its students, Strayer University furthers its commitment to helping adults prepare themselves for the demands of a global economy.

Today, Strayer University Online serves more than 15,000 students and offers over 1,100 classes online.

Tyronda Boone

Educator, Bradbury Heights Elementary School

Master of Education '05

Tyronda Boone understands the importance of higher education. Maybe that's because she is an Educator herself. She is also Executive Director of a non-profit extended learning program, and plans to operate her own primary school someday. She decided to earn an advanced degree in order to gain the business and management skills to run an effective organization.

Ms. Boone was attracted to Strayer University's new Master of Education program because of its innovative curriculum. Students can choose from two dynamic areas of study: Technology in Education or Education Management. Ms. Boone decided to focus on management to help achieve her professional dreams.

"I would recommend Strayer University's education curriculum to anyone who wants to get ahead in a teaching or training career," Ms. Boone says. "The program gave me the tools I needed to take my non-profit organization to the next level of operational success."

Selected Financial Data

in thousands, except per share data

Income Statement Data	2002	2003	2004	2005
Revenues	$ 116,710	$ 147,025	$ 183,194	$ 220,507
Income from operations	$ 41,229	$ 52,900	$ 65,483	$ 74,864
Net income	$ 25,784	$ 33,674	$ 41,240	$ 48,065
Net income per share				
Basic	$ 2.14	$ 2.67	$ 2.91	$ 3.32
Diluted	$ 1.78	$ 2.27	$ 2.74	$ 3.26
Dividends per common share	$ 0.26	$ 0.26	$ 0.41	$ 0.63

Balance Sheet Data	2002	2003	2004	2005
Cash, cash equivalents and marketable securities	$ 67,256	$ 108,040	$ 122,757	$ 119,806
Working capital	55,901	94,760	112,726	110,886
Total assets	140,124	182,556	210,114	225,845
Long-term liabilities	2,055	2,894	5,784	6,569
Total liabilities	39,942	53,892	61,192	74,005
Series A convertible redeemable preferred stock	93,807	95,686	–	–
Total stockholders' equity	6,375	32,978	148,922	151,840

Selected Quarterly Financial Data (Unaudited)

in thousands, except per share data

	Quarter			
2002	First	Second	Third	Fourth
Revenues	$ 29,698	$ 29,823	$ 23,026	$ 34,163
Income from operations	11,818	11,710	3,958	13,744
Net income	7,430	7,384	2,710	8,260
Net income per diluted share	$ 0.52	$ 0.51	$ 0.19	$ 0.57
2003	First	Second	Third	Fourth
Revenues	$ 36,694	$ 36,965	$ 29,993	$ 43,373
Income from operations	14,097	14,033	7,340	17,427
Net income	8,872	8,841	4,854	11,106
Net income per diluted share	$ 0.61	$ 0.60	$ 0.32	$ 0.74
2004	First	Second	Third	Fourth
Revenues	$ 46,106	$ 46,811	$ 38,009	$ 52,268
Income from operations	18,512	18,362	7,837	20,772
Net income	11,468	11,403	5,090	13,279
Net income per diluted share	$ 0.76	$ 0.75	$ 0.34	$ 0.89
2005	First	Second	Third	Fourth
Revenues	$ 56,153	$ 55,249	$ 47,087	$ 62,018
Income from operations	22,488	19,492	9,572	23,312
Net income	14,091	12,525	6,438	15,011
Net income per diluted share	$ 0.94	$ 0.85	$ 0.44	$ 1.03

STRAYER UNIVERSITY CAMPUS LOCATIONS

Corporate Information

Executive Officers

Robert S. Silberman
Chairman and
Chief Executive Officer

Mark C. Brown
Senior Vice President and
Chief Financial Officer

Lawrence M. Gudis
Senior Vice President
Operations

Lysa A. Hlavinka
Senior Vice President
Marketing and Administration

Steven A. McArthur
Senior Vice President and
General Counsel

Pamela S. Bell
Provost

James F. McCoy
Vice President
Campus Operations

Kevin P. O'Reagan
Vice President and
Chief Technology Officer

Dr. J. Chris Toe
Strayer University President

Sonya G. Udler
Vice President
Corporate Communications

Corporate Office

1100 Wilson Boulevard
Suite 2500
Arlington, VA 22209
(703) 247-2500

Websites:

Strayer Education, Inc.
www.strayereducation.com

Strayer University
www.strayer.edu

Annual Meeting

The annual meeting of shareholders will be held on Wednesday, May 3, 2006, at 8:30 a.m. at
The Twin Towers
Conference Center
1100 Wilson Boulevard
Mall Level
Arlington, VA 22209

Transfer Agent

American Stock Transfer &
Trust Company
59 Maiden Lane
New York, NY 10038

Stock Listing

Strayer Education, Inc.'s common stock is traded on The NASDAQ Stock Market® under the symbol "STRA"

Independent Registered Public Accounting Firm

PricewaterhouseCoopers LLP
1751 Pinnacle Drive
McLean, VA 22102

Investor Relations

Information may be obtained by writing:
Strayer Education, Inc.
Investor Relations Department
1100 Wilson Boulevard
Suite 2500
Arlington, VA 22209

Or calling:
(703) 247-2500

Board of Directors

Robert S. Silberman
Chairman and Chief Executive Officer
Former President and COO, CalEnergy Company, Inc.
Former U.S. Assistant Secretary of the Army

Charlotte F. Beason, Ed.D.
Former Education and Health Care Consultant
Former Chair, Commission on Collegiate Nursing Education

William E. Brock
Founder and Chairman, Brock Offices
Former U.S. Secretary of Labor
Former U.S. Special Trade Representative
Former U.S. Senator, State of Tennessee

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Former Vice Chairman, JPMorgan Chase & Co.

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Former General Partner, Forstmann Little & Co.

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President and CEO, Central Pennsylvania College

G. Thomas Waite, III
Treasurer and CFO, Humane Society of the United States

J. David Wargo
President, Wargo and Company, Inc.
Principal, New Mountain Capital, LLC
Former Managing Director, The Putnam Companies

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