Resource Capital Corp.
Form 10-Q
May 11, 2009

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

FORM 10-Q

(Mark One)
x QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the quarterly period ended March 31, 2009

OR

¨ TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the transition period from _________ to __________

Commission file number: 1-32733

RESOURCE CAPITAL CORP.
(Exact name of registrant as specified in its charter)

Maryland (State or other jurisdiction of incorporation or organization)	20-2297134 (I.R.S. Employer Identification No.)
712 5th Avenue, 10th Floor New York, New York (Address of principal executive offices)	10019 (Zip code)

(Registrant’s telephone number, including area code): 212-506-3870

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. x Yes ¨ No

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files).
Yes ¨ No ¨

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See definition of "large accelerated filer," "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer	¨		Accelerated filer	x
Non-accelerated filer	¨	(Do not check if a smaller reporting Company)	Smaller reporting company	¨

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).
¨ Yes x No

The number of outstanding shares of the registrant's common stock on May 6, 2009 was 24,910,452 shares.

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RESOURCE CAPITAL CORP. AND SUBSIDIARIES
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ON FORM 10-Q

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PART I. FINANCIAL INFORMATION

Item 1. Financial Statements

RESOURCE CAPITAL CORP. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
(in thousands, except share and per share data)

	March 31, 2009 (Unaudited)	December 31, 2008
ASSETS		
Cash and cash equivalents	$ 10,668	$ 14,583
Restricted cash	60,273	60,394
Investment securities available-for-sale, pledged as collateral, at fair value	15,376	22,466
Investment securities available-for-sale, at fair value	4,950	6,794
Loans, pledged as collateral and net of allowances of $46.9 million and $43.9 million	1,682,283	1,712,779
Loans held for sale, at fair value	15,968	–
Direct financing leases and notes, pledged as collateral, net of allowance of $550,000 and $450,000 and net of unearned income	96,546	104,015
Investments in unconsolidated entities	1,548	1,548
Interest receivable	6,992	8,440
Principal paydown receivables	44	950
Other assets	4,780	4,062
Total assets	$ 1,899,428	$ 1,936,031
LIABILITIES		
Borrowings	$ 1,692,571	$ 1,699,763
Distribution payable	7,529	9,942
Accrued interest expense	2,737	4,712
Derivatives, at fair value	22,786	31,589
Accounts payable and other liabilities	4,297	3,720
Total liabilities	1,729,920	1,749,726
STOCKHOLDERS' EQUITY		
Preferred stock, par value $0.001: 100,000,000 shares authorized; no shares issued and outstanding	–	–
Common stock, par value $0.001: 500,000,000 shares authorized; 24,901,995 and 25,344,867 shares issued and outstanding (including 554,769 and 452,310 unvested restricted shares)	26	26
Additional paid-in capital	353,534	356,103
Accumulated other comprehensive loss	(75,249)	(80,707)
Distributions in excess of earnings	(108,803)	(89,117)
Total stockholders' equity	169,508	186,305
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	$ 1,899,428	$ 1,936,031

The accompanying notes are an integral part of these financial statements

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RESOURCE CAPITAL CORP. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF OPERATIONS
(in thousands, except share and per share data)
(Unaudited)

	Three Months Ended March 31, 2009	Three Months Ended March 31, 2008
REVENUES		
Interest income:		
Loans	$ 23,160	$ 32,439
Securities	882	1,181
Leases	2,233	1,990
Interest income – other	347	1,373
Total interest income	26,622	36,983
Interest expense	13,877	23,148
Net interest income	12,745	13,835
OPERATING EXPENSES		
Management fee expense – related party	1,001	1,738
Equity compensation expense – related party	88	81
Professional services	964	792
Insurance expense	172	128
General and administrative	405	355
Income tax (benefit) expense	(45)	29
Total expenses	2,585	3,123
NET OPERATING INCOME	10,160	10,712
OTHER (EXPENSE) REVENUES		
Net realized and unrealized losses on investments	(14,345)	(1,995)
Other income	22	33
Provision for loan and lease loss	(7,989)	(1,137)
Gain on the extinguishment of debt	–	1,750
Total other expenses	(22,312)	(1,349)
NET (LOSS) INCOME	$ (12,152)	$ 9,363
NET (LOSS) INCOME PER SHARE – BASIC	$ (0.50)	$ 0.38
NET (LOSS) INCOME PER SHARE – DILUTED	$ (0.50)	$ 0.38
WEIGHTED AVERAGE NUMBER OF SHARES OUTSTANDING – BASIC	24,467,408	24,612,724
WEIGHTED AVERAGE NUMBER OF SHARES OUTSTANDING – DILUTED	24,467,408	24,883,444

DIVIDENDS DECLARED PER SHARE	$	0.30	$	0.41

The accompanying notes are an integral part of these statements

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RESOURCE CAPITAL CORP. AND SUBSIDIARIES
CONSOLIDATED STATEMENT OF CHANGES IN STOCKHOLDERS' EQUITY
THREE MONTHS ENDED MARCH 31, 2009
(in thousands, except share data)
(Unaudited)

	Common Stock								
	Shares	Amount	Additional Paid-In Capital	Accumulated Other Comprehensive Loss	Retained Earnings	Distributions in Excess of Earnings	Treasury Shares	Total Stockholders' Equity	Comprehensive Loss
Balance, January 1, 2009	25,344,867	$ 26	$ 356,103	$ (80,707)	$ –	$ (89,117)	$ –	$ 186,305	
Net proceeds from dividend reinvestment and stock purchase plan	13,592	–	44		–	–	–	44	
Offering costs	–	–		–	–	–		–	
Repurchase and retirement of treasury sharesshares	(700,000)	–	(2,800)	–	–	–		(2,800)	
Stock based compensation	251,727		99	–	–	–	–	99	
Amortization of stock based compensation	–	–	88	–	–	–	–	88	
Forfeiture of unvested stock	(8,191)	–	–	–	–	–	–	–	
Net loss	–	–	–	–	(12,152)	–	–	(12,152)	(12,152)
Available-for-sale, fair value adjustment, net	–	–	–	(3,423)	–	–	–	(3,423)	(3,423)
Designated derivatives, fair value adjustment	–	–	–	8,881	–	–	–	8,881	8,881
Distributions on common stock	–	–	–	–	12,152	(19,686)	–	(7,534)	
Comprehensive loss	–	–	–	–	–	–	–	–	$ (6,694)
Balance, March 31, 2009	24,901,995	$ 26	$ 353,534	$ (75,249)	$ –	$ (108,803)	$ –	$ 169,508	

The accompanying notes are an integral part of these financial statements

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RESOURCE CAPITAL CORP. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
(in thousands)
(Unaudited)

	Three Months Ended March 31, 2009	Three Months Ended March 31, 2008
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net (loss) income	$ (12,152)	$ 9,363
Adjustments to reconcile net (loss) income to net cash provided by operating activities:		
Provision for loan and lease losses	7,989	786
Depreciation and amortization	187	196
Amortization/accretion on net discount on investments	(988)	(184)
Amortization of discount on notes	48	41
Amortization of debt issuance costs	823	729
Amortization of stock-based compensation	88	81
Amortization of terminated derivative instruments	120	21
Non-cash incentive compensation to the Manager	(1)	141
Unrealized loss on non-designated derivative instrument	92	–
Net realized and unrealized losses on investments	14,345	2,346
Gain on the extinguishment of debt	–	(1,750)
Changes in operating assets and liabilities	3,297	2,814
Net cash provided by operating activities	13,848	14,584
CASH FLOWS FROM INVESTING ACTIVITIES:		
Restricted cash	(3,162)	71,230
Principal payments on securities available-for-sale	–	74
Proceeds from sale of securities available-for-sale	–	8,000
Distribution from unconsolidated entities	–	257
Purchase of loans	(36,680)	(85,000)
Principal payments received on loans	27,131	37,829
Proceeds from sales of loans	8,376	6,629
Purchase of direct financing leases and notes	–	(6,208)
Proceeds payments received on direct financing leases and notes	6,825	6,991
Proceeds from sale of direct financing leases and notes	506	–
Net cash provided by investing activities	2,996	39,802
CASH FLOWS FROM FINANCING ACTIVITIES:		
Net proceeds from dividend reinvestment and stock purchase plan (net of offering costs of $0 and $0)	44	–
Repurchase of common stock	(2,800)	–
Proceeds from borrowings:		
Collateralized debt obligations	–	12,589
Secured term facility	–	2,675
Payments on borrowings:		
Repurchase agreements	(1,054)	(44,358)
Secured term facility	(7,003)	(4,429)
Use of unrestricted cash for early extinguishment of debt	–	(3,250)
Settlement of derivative instruments	–	(4,178)

Distributions paid on common stock		(9,946)		(10,366)
Net cash used in financing activities		(20,759)		(51,317)
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS		(3,915)		3,069
CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD		14,583		6,029
CASH AND CASH EQUIVALENTS AT END OF PERIOD	$	10,668	$	9,098
NON-CASH INVESTING AND FINANCING ACTIVITIES:				
Distributions on common stock declared but not paid	$	7,529	$	10,433
SUPPLEMENTAL DISCLOSURE:				
Interest expense paid in cash	$	13,933	$	25,372
Income taxes paid in cash	$	–	$	335

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RESOURCE CAPITAL CORP. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
MARCH 31, 2009
(Unaudited)

NOTE 1 – ORGANIZATION AND BASIS OF QUARTERLY PRESENTATION

Resource Capital Corp. and subsidiaries' (the ''Company'') principal business activity is to purchase and manage a diversified portfolio of commercial real estate-related assets and commercial finance assets. The Company's investment activities are managed by Resource Capital Manager, Inc. (''Manager'') pursuant to a management agreement (''Management Agreement''). The Manager is a wholly-owned indirect subsidiary of Resource America, Inc. ("Resource America") (NASDAQ: REXI). The following variable interest entities ("VIEs") are consolidated on the Company's financial statements:

- RCC Real Estate, Inc. ("RCC Real Estate") holds real estate investments, including commercial real estate loans and commercial real estate-related securities. RCC Real Estate owns 100% of the equity of the following entities:

- Resource Real Estate Funding CDO 2006-1 ("RREF CDO 2006-1"), a Cayman Islands limited liability company and qualified real estate investment trust ("REIT") subsidiary ("QRS"). RREF CDO 2006-1 was established to complete a collateralized debt obligation ("CDO") issuance secured by a portfolio of commercial real estate loans and commercial mortgage-backed securities.

- Resource Real Estate Funding CDO 2007-1 ("RREF CDO 2007-1"), a Cayman Islands limited liability company and QRS. RREF CDO 2007-1 was established to complete a CDO issuance secured by a portfolio of commercial real estate loans and commercial mortgage-backed securities.

- RCC Commercial, Inc. ("RCC Commercial") holds bank loan investments and commercial real estate-related securities. RCC Commercial owns 100% of the equity of the following entities:

- Apidos CDO I, Ltd. ("Apidos CDO I"), a Cayman Islands limited liability company and taxable REIT subsidiary ("TRS"). Apidos CDO I was established to complete a CDO secured by a portfolio of bank loans.

- Apidos CDO III, Ltd. ("Apidos CDO III"), a Cayman Islands limited liability company and TRS. Apidos CDO III was established to complete a CDO secured by a portfolio of bank loans.

- Apidos Cinco CDO, Ltd. ("Apidos Cinco CDO"), a Cayman Islands limited liability company and TRS. Apidos Cinco CDO was established to complete a CDO secured by a portfolio of bank loans.

- Resource TRS, Inc. ("Resource TRS"), the Company's directly-owned TRS, holds all the Company's direct financing leases and notes.

The consolidated financial statements and the information and tables contained in the notes to the consolidated financial statements are unaudited. However, in the opinion of management, these interim financial statements include all adjustments necessary to fairly present the results of the interim periods presented. The unaudited interim consolidated financial statements should be read in conjunction with the audited consolidated financial statements included in the Company's Annual Report on Form 10-K for the year ended December 31, 2008. The results of operations for the three months ended March 31, 2009 may not necessarily be indicative of the results of operations for the full fiscal year ending December 31, 2009.

Principles of Consolidation

The accompanying consolidated financial statements have been prepared in conformity with accounting principles generally accepted in the United States of America (“GAAP”). The consolidated financial statements include the accounts of the Company and its subsidiaries, all of which are wholly-owned.

When the Company obtains an explicit or implicit interest in an entity, the Company evaluates the entity to determine if the entity is a VIE, and, if so, whether or not the Company is deemed to be the primary beneficiary of the VIE, in accordance with Financial Accounting Standards Board (“FASB”) Interpretation 46, “Consolidation of Variable Interest Entities,” as revised (“FIN 46-R”). Generally, the Company consolidates VIEs for which the Company is deemed to be the primary beneficiary or non-VIEs which the Company controls. The primary beneficiary of a VIE is the variable interest holder that absorbs the majority of the variability in the expected losses or the residual returns of the VIE. When determining the primary beneficiary of a VIE, the Company considers its aggregate explicit and implicit variable interests as a single variable interest. If the Company’s single variable interest absorbs the majority of the variability in the expected losses or the residual returns of the VIE, the Company is considered the primary beneficiary of the VIE. The Company reconsiders its determination of whether an entity is a VIE and whether the Company is the primary beneficiary of such VIE if certain events occur.

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RESOURCE CAPITAL CORP. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS – (Continued)
MARCH 31, 2009
(Unaudited)

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Principles of Consolidation – (Continued)

The Company has a 100% interest valued at $1.5 million in the common shares (three percent of the total equity) in two trusts, Resource Capital Trust I ("RCT I") and RCC Trust II ("RCT II"). Accordingly, the Company does not have the right to the majority of RCTs' expected residual returns. Therefore, the Company is not deemed to be the primary beneficiary of either trust and they are not consolidated in the Company's consolidated financial statements. The Company records its investments in RCT I and RCT II's common securities of $774,000 each as investments in unconsolidated trusts using the cost method and records dividend income upon declaration by RCT I and RCT II. For the three months ended March 31, 2009 and 2008, the Company recognized $765,000 and $1.1 million, respectively, of interest expense with respect to the subordinated debentures it issued to RCT I and RCT II which included $37,000 and $32,000, respectively, of amortization of deferred debt issuance costs.

All inter-company transactions and balances have been eliminated.

Use of Estimates

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates. Estimates affecting the accompanying consolidated financial statements include the net realizable and fair values of the Company's investments and derivatives, the estimated life used to calculate amortization and accretion of premiums and discounts, respectively, on investments and provisions for loan and lease losses.

Investment Securities Available-for-Sale

The Company accounts for its investments in securities under Statement of Financial Accounting Standards ("SFAS") 115, ''Accounting for Certain Investments in Debt and Equity Securities," ("SFAS 115") which requires the Company to classify its investment portfolio as either trading investments, available-for-sale or held-to-maturity. Although the Company generally plans to hold most of its investments to maturity, it may, from time to time, sell any of its investments due to changes in market conditions or in accordance with its investment strategy. Accordingly, the Company classifies all of its investment securities as available-for-sale and reports them at fair value, which is based on taking a weighted average of the following three measures:

i. an income approach utilizing an appropriate current risk-adjusted yield, time value and projected estimated losses from default assumptions based on analysis of underlying loan performance;

ii. quotes on similar-vintage, higher rate, more actively traded CMBS securities adjusted for the lower subordination level of the Company's securities; and

iii. dealer quotes on the Company's securities for which there is not an active market.

Unrealized gains and losses are reported as a component of accumulated other comprehensive loss in stockholders' equity.

The Company evaluates its investments for other-than-temporary impairment in accordance with SFAS 115, Staff Position ("FSP") EITF 99-20-1, "Amendments to the Impairment Guidance of EITF Issue No. 99-20" ("FSP 99-20-1") and EITF 99-20, "Recognition of Interest Income and Impairment on Purchased Beneficial Interests and Beneficial Interests That Continue to Be Held by a Transferor in Securitized Financial Assets" ("EITF 99-20") which requires an investor to determine when an investment is considered impaired (i.e., when its fair value has declined below its amortized cost), evaluate whether that impairment is other than temporary (i.e., the investment value will not be recovered over its remaining life), and, if the impairment is other than temporary, to recognize an impairment loss equal to the difference between the investment's cost and its fair value.

Investment securities transactions are recorded on the trade date. Purchases of newly issued securities are recorded when all significant uncertainties regarding the characteristics of the securities are removed, generally shortly before settlement date. Realized gains and losses on investment securities are determined on the specific identification method.

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RESOURCE CAPITAL CORP. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS – (Continued)
MARCH 31, 2009
(Unaudited)

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – (Continued)

Allowance for Loan and Lease Losses

The Company maintains an allowance for loan and lease losses. Loans and leases held for investment are first individually evaluated for impairment so specific reserves can be applied, and then evaluated for impairment as a homogeneous pool of loans with substantially similar characteristics so that a general reserve can be established, if needed. The reviews are performed at least quarterly.

The Company considers a loan to be impaired when, based on current information and events, management believes it is probable that the Company will be unable to collect all amounts due according to the contractual terms of the loan agreement. When a loan is impaired, the allowance for loan losses is increased by the amount of the excess of the amortized cost basis of the loan over its fair value. Fair value may be determined based on the present value of estimated cash flows; on market price, if available; or on the fair value of the collateral less estimated disposition costs. When a loan, or a portion thereof, is considered uncollectible and pursuit of collection is not warranted, then the Company will record a charge-off or write-down of the loan against the allowance for loan and lease losses.

The balance of impaired loans and leases was $67.6 million and $17.2 million at March 31, 2009 and 2008, respectively. All loans and leases deemed impaired at March 31, 2009 have an associated valuation allowance. The total balance of impaired loans and leases with a valuation allowance of $16.9 million at March 31 2008. The total balance of impaired leases without a specific valuation allowance was $360,000 at March 31 2008. The specific valuation allowance related to these impaired loans and leases was $33.5 million and $2.7 million at March 31, 2009 and 2008, respectively. The Company did not recognize any income on impaired loans and leases during 2009 or 2008 once each individual loan or lease became impaired.

An impaired loan or lease may remain on accrual status during the period in which the Company is pursuing repayment of the loan or lease; however, the loan or lease would be placed on non-accrual status at such time as (i) management believes that scheduled debt service payments will not be met within the coming 12 months; (ii) the loan or lease becomes 90 days delinquent; (iii) management determines the borrower is incapable of, or has ceased efforts toward, curing the cause of the impairment; or (iv) the net realizable value of the loan's underlying collateral approximates the Company's carrying value of such loan. While on non-accrual status, the Company recognizes interest income only when an actual payment is received.

Income Taxes

The Company operates in such a manner as to qualify as a REIT under the provisions of the Internal Revenue Code of 1986, as amended (the "Code"); therefore, applicable REIT taxable income is included in the taxable income of its shareholders, to the extent distributed by the Company. To maintain REIT status for federal income tax purposes, the Company is generally required to distribute at least 90% of its REIT taxable income to its shareholders as well as comply with certain other qualification requirements as defined under the Code. As a REIT, the Company is not subject to federal corporate income tax to the extent that it distributes 100% of its REIT taxable income each year.

Taxable income from non-REIT activities managed through Resource TRS are subject to federal, state and local income taxes. Resource TRS income taxes are accounted for under the asset and liability method as required under SFAS 109 "Accounting for Income Taxes." Under the asset and liability method, deferred income taxes are recognized for the temporary differences between the financial reporting basis and tax basis of Resource TRS' assets and liabilities.

Apidos CDO I, Apidos CDO III, Apidos Cinco CDO and Ischus CDO II, Ltd., ("Ischus CDO II") a Cayman Islands TRS, (now de-consolidated), the Company's foreign TRSs, are organized as exempted companies incorporated with limited liability under the laws of the Cayman Islands, and are generally exempt from federal and state income tax at the corporate level because their activities in the United States are limited to trading in stock and securities for their own account. Therefore, despite their status as TRSs, they generally will not be subject to corporate tax on their earnings and no provision for income taxes is required; however, because they are "controlled foreign corporations," the Company will generally be required to include Apidos CDO I's, Apidos CDO III's, Apidos Cinco CDO's and Ischus CDO II's current taxable income in its calculation of REIT taxable income.

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RESOURCE CAPITAL CORP. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS – (Continued)
MARCH 31, 2009
(Unaudited)

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – (Continued)

Stock Based Compensation

The Company follows SFAS 123(R), "Share Based Payment," ("SFAS 123(R)"). Issuances of restricted stock and options are accounted for using the fair value based methodology prescribed by SFAS 123(R) whereby the fair value of the award is measured on the grant date and expensed monthly to equity compensation expense-related party on the consolidated statements of operations with a corresponding entry to additional paid-in capital. For issuances to the Company's Manager and to non-employees, the unvested stock and options are adjusted quarterly to reflect changes in fair value as performance under the agreement is completed. For issuances to the Company's five non-employee directors, the amount is not remeasured under the fair value-based method. The compensation for each of these issuances is amortized over the service period and included in equity compensation expense.

Recent Accounting Pronouncements

On April 9, 2009, the FASB issued three final Staff Positions intended to provide additional application guidance and enhance disclosures regarding fair value measurements and impairments of securities. FASB Staff Position No. FAS 157-4, "Determining Fair Value When the Volume and Level of Activity for the Asset or Liability Have Significantly Decreased and Identifying Transactions That Are Not Orderly," provides guidelines for making fair value measurements more consistent with the principles presented in FASB SFAS 157, "Fair Value Measurements", when the volume and level of activity for the asset or liability have decreased significantly. FASB Staff Position No. FAS 107-1 and APB 28-1, "Interim Disclosures about Fair Value of Financial Instruments," enhances consistency in financial reporting by increasing the frequency of fair value disclosures. FASB Staff Position No. FAS 115-2 and FAS 124-2, "Recognition and Presentation of Other-Than-Temporary Impairments," provides additional guidance designed to create greater clarity and consistency in accounting for and presenting impairment losses on securities. Provisions for this guidance are effective for interim periods ending after June 15, 2009, with early adoption permitted in the first quarter of 2009. The Company will adopt the provisions in the quarter ended June 30, 2009. The Company is evaluating the potential impact of adopting these statements.

In January 2009, the FASB issued FSP 99-20-1. FSP 99-20-1 amends the impairment guidance in EITF Issue No. 99-20, "Recognition of Interest Income and Impairment on Purchased Beneficial Interests and Beneficial Interests That Continue to Be Held by a Transferor in Securitized Financial Assets," to achieve more consistent determination of whether an other-than-temporary impairment has occurred. FSP 99-20-1 is effective, on a prospective basis, for interim and annual reporting periods ending after December 15, 2008. Adoption of FSP 99-20-1 did not have a material impact on the Company's consolidated financial statements.

In June 2008, the FASB issued FSP EITF 03-6-1, "Determining Whether Instruments Granted in Share-Based Payment Transactions Are Participating Securities" ("FSP EITF 03-6-1"). FSP EITF 03-6-1 addresses whether instruments granted in share-based payment transactions are participating securities prior to vesting and, therefore, need to be included in the earnings allocation in computing earnings per share under the two-class method as described in SFAS 128, "Earnings per Share." Under the guidance in FSP EITF 03-6-1, unvested share-based payment awards that contain non-forfeitable rights to dividends or dividend equivalents (whether paid or unpaid) are participating securities and must be included in the computation of earnings per share pursuant to the two-class method. FSP EITF 03-6-1 is effective for the Company in fiscal 2009. After the effective date of FSP EITF 03-6-1, all prior-period earnings per share data presented must be adjusted retrospectively. Adoption of FSP EITF 03-6-1 did not have a material effect on the Company's financial statements.

In March 2008, the FASB issued SFAS 161, "Disclosures about Derivative Instruments and Hedging Activities, an amendment of SFAS 133" ("SFAS 161"). This new standard requires enhanced disclosures for derivative instruments, including those used in hedging activities. It is effective for fiscal years and interim periods beginning after November 15, 2008 and is applicable to the Company in the first quarter of fiscal 2009. Although the adoption did not have a significant impact on the Company's financial statements, additional disclosures were added in Note 14 to the consolidated financial statements.

In February 2008, the FASB issued FSP 140-3, "Accounting for Transfers of Financial Assets and Repurchase Financing Transactions" ("FSP FAS 140-3") which provides guidance on accounting for a transfer of a financial asset and repurchase financing. FSP FAS 140-3 is effective for fiscal years beginning after November 15, 2008 and interim periods within those fiscal years. The Company does not expect that FSP FAS 140-3 will have a material effect on the Company's financial statements.

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RESOURCE CAPITAL CORP. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS – (Continued)
MARCH 31, 2009
(Unaudited)

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – (Continued)

Recent Accounting Pronouncements – (Continued)

In December 2007, the FASB issued SFAS 160, “Noncontrolling Interests in Consolidated Financial Statements,” (“SFAS 160”). SFAS 160 amends Accounting Research Bulletin 51 to establish accounting and reporting standards for the noncontrolling (minority) interest in a subsidiary and for the deconsolidation of a subsidiary. It clarifies that a noncontrolling interest in a subsidiary is an ownership interest in the consolidated entity that should be reported as equity in the consolidated financial statements. SFAS 160 is effective for fiscal years beginning after December 15, 2009. Adoption did not have a material impact on the Company’s financial statements.

In December 2007, the FASB issued SFAS No. 141R, Business Combinations, which replaces SFAS No. 141 (“SFAS 141R”). SFAS 141R, among other things, establishes principles and requirements for how an acquirer entity recognizes and measures in its financial statements the identifiable assets acquired (including intangibles), the liabilities assumed and any noncontrolling interest in the acquired entity. Additionally, SFAS 141R requires that all transaction costs will be expensed as incurred. SFAS 141R is effective for fiscal years beginning after December 15, 2008. Adoption did not have a material impact on the Company’s financial statements.

Reclassifications

Certain reclassifications have been made to the 2008 consolidated financial statements to conform to the 2009 presentation.

NOTE 3 – RESTRICTED CASH

Restricted cash as of March 31, 2009 consists of $49.8 million held in five consolidated CDO trusts, $7.1 million in cash collateralizing outstanding margin calls and $3.4 million of interest reserves and security deposits held in connection with the Company’s equipment lease and note portfolio.

NOTE 4 – INVESTMENT SECURITIES AVAILABLE-FOR-SALE

The following tables summarize the Company's mortgage-backed securities (“MBS”) and other asset-backed securities (“ABS”), including those pledged as collateral and classified as available-for-sale, which are carried at fair value (in thousands):

	Amortized Cost (1)	Unrealized Gains	Unrealized Losses	Fair Value (1)
March 31, 2009:				
Commercial MBS private placement	$ 70,568	$ –	$ (50,287)	$ 20,281
Other ABS	45	–	–	45
Total	$ 70,613	$ –	$ (50,287)	$ 20,326
December 31, 2008:				
Commercial MBS private placement	$ 70,458	$ –	$ (41,243)	$ 29,215

Other ABS		5,665		–		(5,620)		45
Total	$	76,123	$	–	$	(46,863)	$	29,260

(1) As of March 31, 2009 and December 31, 2008, $15.4 million and $22.5 million were pledged as collateral security under related financings, respectively.

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RESOURCE CAPITAL CORP. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS – (Continued)
MARCH 31, 2009
(Unaudited)

NOTE 4 – INVESTMENT SECURITIES AVAILABLE-FOR-SALE – (Continued)

The following tables summarize the estimated maturities of the Company's MBS and other ABS according to their estimated weighted average life classifications (in thousands, except percentages):

Weighted Average Life	Fair Value	Amortized Cost	Weighted Average Coupon
March 31, 2009:			
Less than one year	$ 8,756	$ 23,064	2.67%
Greater than one year and less than five years	3,386	8,998	2.67%
Greater than five years	8,184	38,551	5.64%
Total	$ 20,326	$ 70,613	4.45%
December 31, 2008:			
Less than one year	$ 5,088	$ 10,465	3.17%
Greater than one year and less than five years	9,954	21,596	3.75%
Greater than five years	14,218	44,062	5.05%
Total	$ 29,260	$ 76,123	4.36%

The contractual maturities of the securities available-for-sale range from July 2017 to March 2051.

The following tables show the fair value and gross unrealized losses, aggregated by investment category and length of time, of those individual securities that have been in a continuous unrealized loss position during the indicated periods (in thousands):

	Less than 12 Months		More than 12 Months		Total	
	Fair Value	Gross Unrealized Losses	Fair Value	Gross Unrealized Losses	Fair Value	Gross Unrealized Losses
March 31, 2009:						
Commercial MBS private placement	$ –	$ –	$ 20,281	$ (50,287)	$ 20,281	$ (50,287)
Total temporarily impaired securities	$ –	$ –	$ 20,281	$ (50,287)	$ 20,281	$ (50,287)
December 31, 2008:						
Commercial MBS private placement	$ –	$ –	$ 29,215	$ (41,243)	$ 29,215	$ (41,243)
Other ABS	–	–	45	(5,620)	45	(5,620)
Total temporarily impaired securities	$ –	$ –	$ 29,260	$ (46,863)	$ 29,260	$ (46,863)

The determination of other-than-temporary impairment is a subjective process, and different judgments and assumptions could affect the timing of loss realization. The Company reviews its portfolios monthly and the determination of other-than-temporary impairment is made at least quarterly. The Company considers the following factors when determining if there is an other-than-temporary impairment on a security:

- the length of time the market value has been less than amortized cost;
- our intent and ability to hold the security for a period of time sufficient to allow for any anticipated recovery in market value;
- the severity of the impairment;
- the expected loss of the security as generated by third party software;
- credit ratings from the rating agencies; and
- underlying credit fundamentals of the collateral backing the securities.

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RESOURCE CAPITAL CORP. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS – (Continued)
MARCH 31, 2009
(Unaudited)

NOTE 4 – INVESTMENT SECURITIES AVAILABLE-FOR-SALE – (Continued)

At March 31, 2009 and December 31, 2008, we held $20.3 million and $29.2 million, respectively, net of unrealized losses of $50.3 million and $41.2 million at March 31, 2009 and December 31, 2008, respectively, of Commercial MBS private placement ("CMBS") at fair value which is based on taking a weighted average of the following three measures:

i. an income approach utilizing an appropriate current risk-adjusted yield, time value and projected estimated losses from default assumptions based on historical analysis of underlying loan performance;

ii. quotes on similar-vintage, higher rated, more actively traded CMBS securities adjusted for the lower subordination level of our securities; and

iii. dealer quotes on our securities for which there is not an active market.

While the CMBS investments have continued to decline in fair value, their change continues to be temporary. The Company performs an on-going review of third-party reports and updated financial data on the underlying property financial information to analyze current and projected loan performance. All assets are current with respect to interest and principal payments. Rating agency downgrades are considered with respect to its income approach when determining other-than-temporary impairment and when inputs are stressed projected cash flows are adequate to recover principal.

During the three months ended March 31, 2009, a collateral position that supported the other-ABS investment weakened to the point that default of that position became probable. The assumed default of this collateral position in the Company's cash flow model yielded a value of less than full recovery of our cost basis and, as a result, the Company recognized a $5.6 million other-than-temporary impairment on its other-ABS investment. As a result of the impairment charge, the cost of this security was written down to fair value through the statement of operations.

The Company does not believe that any other of its securities classified as available-for-sale were other-than-temporarily impaired as of March 31, 2009. For the three months ended March 31, 2008, the Company recognized no other-than-temporary impairment.

NOTE 5 – LOANS HELD FOR INVESTMENT

The following is a summary of the Company's loans (in thousands):

Loan Description	Principal	Unamortized (Discount) Premium	Carrying Value (1)
March 31, 2009:			
Bank loans, includes $16.0 million in loans held for sale	$ 953,308	$ (13,899)	$ 939,409
Commercial real estate loans:			
Whole loans	514,330	(1,213)	513,117
B notes	81,833	54	81,887

Mezzanine loans	215,199	(4,510)	210,689
Total commercial real estate loans	811,362	(5,669)	805,693
Subtotal loans before allowances	1,764,670	(19,568)	1,745,102
Allowance for loan loss	(46,851)	–	(46,851)
Total	$ 1,717,819	$ (19,568)	$ 1,698,251
December 31, 2008:			
Bank loans, includes $9.0 million in loans held for sale .	$ 945,966	$ (8,459)	$ 937,507
Commercial real estate loans:			
Whole loans	521,015	(1,678)	519,337
B notes	89,005	64	89,069
Mezzanine loans	215,255	(4,522)	210,733
Total commercial real estate loans	825,275	(6,136)	819,139
Subtotal loans before allowances	1,771,241	(14,595)	1,756,646
Allowance for loan loss	(43,867)	–	(43,867)
Total	$ 1,727,374	$ (14,595)	$ 1,712,779

(1) Substantially all loans are pledged as collateral under various borrowings at March 31, 2009 and December 31, 2008.

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RESOURCE CAPITAL CORP. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS – (Continued)
MARCH 31, 2009
(Unaudited)

NOTE 5 – LOANS HELD FOR INVESTMENT– (Continued)

At March 31, 2009, the Company’s bank loan portfolio consisted of $912.6 million (net of allowance of $26.7 million) of floating rate loans, which bear interest ranging between the London Interbank Offered Rate (“LIBOR”) plus 0.94% and LIBOR plus 10.50% with maturity dates ranging from December 2010 to August 2022.

At December 31, 2008, the Company’s bank loan portfolio consisted of $908.7 million (net of allowance of $28.8 million) of floating rate loans, which bear interest ranging between LIBOR plus 0.97% and LIBOR plus 10.0% with maturity dates ranging from March 2009 to August 2022.

The following table shows the changes in the allowance for loan loss (in thousands):

Allowance for loan loss at December 31, 2008	$ 43,867
Reserve charged to expense	7,829
Loans charged-off	(4,825)
Recoveries	–
Allowance for loan loss at March 31, 2009	46,851

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16,820

*

G. Thomas Waite, III

9,937

0

9,937

*

J. David Wargo

7,896

0

7,896

*

Named Executive Officers:

Mark C. Brown(f)

34,472

0

34,472

*

Daniel W. Jackson

39,168

0

39,168

*

Brian W. Jones

31,312

0

31,312

*

Rosemary J. Rose

53,363

0

53,363

*

All Executive Officers and Directors (16 persons)

735,425

100,000

835,425

7.4

%

---

* represents amounts less than 1%

(a) For directors and officers, the number of shares of common stock beneficially owned includes shares of restricted stock, which the holder is entitled to vote, and restricted stock units.

(b) Based on a Schedule 13G/A filed with the SEC on February 9, 2016. These securities are owned by various individual and institutional investors including T. Rowe Price Mid-Cap Value Fund, Inc. (which owns 1,570,100 shares, representing 14.1% of the shares outstanding), which T. Rowe Price Associates, Inc. (“Price Associates”) serves as investment adviser with power to direct investments and/or sole power to vote securities. For purposes of the reporting requirement of the Securities Exchange Act of 1934, Price Associates is deemed to be a beneficial owner of such securities; however, Price Associates expressly disclaims that it is, in fact, the beneficial owner of such securities. The address is: 100 E. Pratt Street, Baltimore, Maryland 21202.

(c) Based on a Schedule 13G/A filed with the SEC on February 10, 2016. The address of The Vanguard Group Inc. is: 100 Vanguard Blvd., Malvern, PA 19355.

(d) Based on a Schedule 13G/A filed with the SEC on January 27, 2016. The address of BlackRock, Inc. is: 40 East 52nd Street, New York, New York 10022.

(e) Based on a Schedule 13G filed with the SEC on February 11, 2016. The address of Goodnow Investment Group, LLC is: 9 Old King’s Highway South, Darien, CT 06820.

(f) Mr. Brown retired from the Corporation effective March 1, 2015.

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EXECUTIVE COMPENSATION

The following discussion summarizes our executive compensation program for our named executive officers ("NEOs"). For 2015, our NEOs were:

NEO	Title
Robert S. Silberman	Executive Chairman
Karl McDonnell	Chief Executive Officer & Director
Daniel W. Jackson	Chief Financial Officer
Mark C. Brown(a)	Former Chief Financial Officer
Brian W. Jones	President, Strayer University
Rosemary J. Rose	Chief Operating Officer, Strayer University

(a) Mr. Brown retired from the Corporation effective March 1, 2015.

COMPENSATION DISCUSSION AND ANALYSIS

Executive Summary

The Corporation's executive compensation program is designed to drive performance and align the long-term interests of management and our stockholders. Academic quality is the cornerstone of this program, and ultimately advances all other key metrics. The Corporation's policies on compensation, consistent with Department of Education regulations, seek to reward achievement of financial and academic goals, both of which are driven by the success of our academic programs. The following chart highlights key policies and objectives behind the Corporation's development, review, and approval of NEO compensation:

COMPENSATION OBJECTIVES	
Align Interests	The Corporation seeks to align the thinking of our executives and directors with those of our students, and ultimately our stockholders. Focusing on the student experience and ensuring academic quality increases the value of our Corporation. The Corporation also aligns long term interests by requiring share ownership for all Board members and executives at the Senior Vice President level and above.
Attract and Retain Talent	The Corporation sets compensation at levels sufficient to attract and retain highly qualified and productive personnel. There are three major components of overall compensation: salary, profit share, and equity grants. In order to better pay for performance, the Committee generally sets target salary at or below the midpoint of comparable companies, and profit sharing targets (both cash and equity) at or above the midpoint of comparable companies.
Align Compensation to Performance	In making decisions on whether, and at what level, a profit sharing plan should be funded, the Compensation Committee looks at whether the Corporation met certain performance objectives determined annually by the Board of Directors. These objectives consist of both quantitative

financial metrics (comprising up to 75% of target payout) and qualitative academic metrics (comprising up to 25% of target payout). The Compensation Committee sets threshold, target, and maximum levels, which achieve a 50%, 100%, and 150% potential target payout, respectively. Generally, we consider targets within a range of achievement, with ranges dependent on the metric involved.

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The Corporation increases value and accountability through the following best practices:

WHAT WE DO	WHAT WE DO NOT DO
ü Limit discretion by setting clear quantitative metrics for executive compensation	X No compensation decisions for our NEOs without oversight of independent directors
ü Set CEO compensation where at least 50% of target annual compensation is performance-based	X No hedging or other investments in derivatives of the Corporation
ü Use a representative and relevant peer group to guide compensation	X No excise tax gross-ups upon change in control
ü Include double trigger change-in-control vesting provisions for equity awards	X No stock option re-pricing
ü Clawback profit sharing and equity grants based on performance metrics that were incorrectly calculated or for misconduct leading to a restatement	X No perquisites
ü Mitigate risk through an executive compensation program that discourages inappropriate risk taking	X No executive pensions or supplemental executive retirement plan (SERP)

Compensation Policies and Objectives

In accordance with the Compensation Committee charter, the Corporation employs the following general policies in determining executive compensation:

- The Corporation believes that compensation of the Corporation's key executives should be sufficient to attract and retain highly qualified and productive personnel, as well as to enhance productivity and encourage and reward superior performance.

- It is the policy of the Corporation that the three primary components of the Corporation's compensation package for officers (salary, profit share, and equity grants) be considered in the aggregate. In other words, the total compensation of our executive officers should be appropriate to their contributions, and the amount of each component should take into account the size of their total compensation package, even if one individual component is larger or smaller than industry average.

- Consistent with Department of Education regulations, the Corporation seeks to reward achievement of specific corporate goals by executing a profit sharing plan for the Corporation's senior officers, some of which is paid in cash, and the rest in some form of stock-based compensation with a required vesting period.

- The criteria used by the Compensation Committee in deciding whether, or at what level, a profit sharing plan should be funded in any year is whether the Corporation met certain performance objectives set annually by the Board. The Compensation Committee makes these assessments based on the Corporation's annual financial statements, which are audited by the Corporation's independent auditing firm, PricewaterhouseCoopers LLP. Each year the corporate objectives used to determine profit sharing eligibility for executives are chosen by the Board of Directors from criteria which were approved by the stockholders of the Corporation. Criteria were approved most recently by stockholders at its annual meeting on May 5, 2015.

- One of the Corporation's guiding principles is that officers and directors think like owners. To this end, the Corporation adopted a requirement that within three years of hiring, promotion or being appointed to the Board, senior officers and members of the Board of Directors own shares equal to the amounts shown in the table below. The Board reviews compliance with this policy consistent with historic share ownership, market price fluctuations, and other factors.

Title	Required Share Ownership
Executive Chairman	5x Annual Salary

Chief Executive Officer	5x Annual Salary
Chief Operating Officer	4x Annual Salary
Executive Vice President	3x Annual Salary
Senior Vice President	2x Annual Salary
Board of Directors	3x Annual Retainer

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- In determining compensation levels at the Corporation, the Compensation Committee compares executive compensation at the Corporation to that of eleven other publicly traded companies which own education assets. These companies are: American Public Education, Inc., Apollo Education Group, Bridgepoint Education, Capella Education Company, Career Education Corporation, DeVry Education, Grand Canyon Education, Inc., ITT Educational Services, Inc. K12, Inc., Lincoln Education Services, and Universal Technical Institute. The Compensation Committee also compares executive compensation at the Corporation to similarly sized companies by revenue, market capitalization, and growth profile which are in other industries.

- The Compensation Committee generally tries to set salary targets at or below the midpoint of comparable companies. However, the Compensation Committee tries to set profit sharing targets (both cash and equity) at or above the midpoint of comparable companies. If, in the Board's judgment, the midpoint or upper quartile calculations of the comparable companies yield too high a compensation level, the Board will not match these levels, but instead will make reasoned judgments to lower the Corporation's executive compensation to levels it deems more appropriate.

Stockholder Outreach

The Corporation values our stockholders' opinions on the effectiveness of our compensation program. At the 2015 Annual Meeting of Stockholders, approximately 78% of the votes cast were cast in favor of the advisory resolution to approve the 2014 compensation for the Corporation's named executives. The Corporation believes this vote generally reflected stockholder approval of its overall pay practices and the absence of any practices that stockholders consider problematic. Nevertheless, the Corporation took a number of steps to ensure that our compensation program meets stockholders' expectations:

- Engaged stockholders to receive more feedback on our compensation program.

- Provided more visibility into the actual performance objectives established by the Board.

- Provided additional disclosures regarding the objectives and targets used to make determinations on compensation.

- Revised our relevant peer group to guide compensation decisions.

- Instituted a robust clawback provision applicable to both profit share and equity grants.

Accordingly, while the Compensation Committee generally continued to apply the same principles in determining the amounts and types of executive compensation for 2015, the Corporation has included additional disclosures on 2015 compensation targets and performance for our Chief Executive Officer and NEOs (see "2015 Compensation Decisions" below). The Compensation Committee values stockholder feedback provided through the vote and stockholder outreach, and will continue to consider the results of the vote and these views in the future.

Who Determines Compensation?

Each year the Corporation's Board of Directors sets a number of goals and objectives, including both financial and academic criteria. Of these, the Compensation Committee may designate certain quantitative and qualitative goals to form the basis of pay-for-performance determinations with the quantitative financial metrics comprising up to 75% of performance-based pay and the qualitative academic metrics, although no less important, comprising up to 25% of such pay. For the quantitative goals, the Compensation Committee sets goals within a range of achievement towards the target which will result in a 100% target performance payout.   If actual performance is below the range but at the threshold level, target profit share is cut by 50% and the Compensation Committee retains discretion to reduce such pay even further. For example, in past years including in 2012, the Corporation did not pay any profit share because the Corporation missed its goals and objectives. If actual performance is above the range at the maximum level, the

Compensation Committee may, but is not required to, compensate at 150% of target.

In accordance with the Compensation Committee charter, compensation for the Corporation's Executive Chairman and its CEO is determined by the Compensation Committee subject to approval of the Corporation's Board of Directors (excluding the Executive Chairman and the CEO, who are also directors). In making its

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determination on Executive Chairman and CEO compensation, the Compensation Committee reviews a number of factors, including but not limited to:

- The Corporation's achievement of annual goals and objectives, both quantitative and qualitative, set by the full Board of Directors in the preceding year,

- The long term performance of the Corporation, and

- CEO compensation level at comparable companies.

For the other named executive officers, the Compensation Committee reviews, approves, and recommends to the full Board compensation based on:

- Performance of the executive officers in light of relevant goals and objectives approved by the Compensation Committee and the annual goals and objectives established by the Board in the preceding year,

- Executive compensation level at comparable companies, and

- The recommendations of the Executive Chairman and the CEO.

The Executive Chairman and the CEO provide recommendations for executive officer compensation (other than themselves) to the Compensation Committee based on a review and analysis of each officer's performance and contributions to the Corporation. While the Compensation Committee considers the recommendations of the Executive Chairman and the CEO with respect to these elements of compensation, the Compensation Committee independently evaluates the recommendations for purposes of making its recommendations to the full Board.

The Compensation Committee meets in the beginning of each year to review financial performance, to consider profit sharing with respect to the just completed fiscal year, to consider equity awards, and to determine executive officer salaries with respect to the next fiscal year. The Committee meets from time to time during the year as may be required to address compensation and equity grant issues associated with new officer hires and director appointments, as well as, if applicable, making equity grants as long-term compensation and making other determinations or recommendations with respect to employee benefit plans and related matters.

Identification and Analysis of 2015 Compensation Programs

During 2015, the Corporation's executive compensation program included salary, profit sharing and long-term compensation in the form of restricted stock awarded under the Corporation's 2015 Equity Compensation Plan.

- Salary — Salaries for executives other than the Executive Chairman and the CEO are reviewed, approved, and recommended to the full Board annually by the Compensation Committee upon recommendation of the Executive Chairman and the CEO. The Executive Chairman's and the CEO's salaries are specified in their employment agreements (see "Employment Agreements with Mr. Silberman and Mr. McDonnell" and "Potential Payments upon Termination or Change in Control" sections below), and are annually reviewed and approved by the Compensation Committee and the full Board of Directors.

- Profit Sharing — The profit sharing plan for our named executives and other senior executives is funded each year by our Board of Directors upon the recommendation of the Compensation Committee of the Board. In determining whether to recommend such profit sharing, the Compensation Committee determines whether the Corporation has achieved its annual corporate objectives for the year.

As befits a Corporation whose main operating asset is a 124-year old University holding the highest possible academic accreditation, these annual corporate objectives include a number of academic measures, as well as non-financial operational targets and financial measures. Of course, even if the Corporation achieves all of its academic, operational, and financial objectives in a given year, in the event of any breach in regulatory, legal, or ethical business standards, the Compensation Committee would eliminate the payment of cash profit sharing for that year.

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The Board does not consider movements of the stock price of the Corporation during the year in determining annual compensation. The Board strongly feels that management's responsibility is to create an enduring increase in the long-term value of the Corporation. By achieving its annual corporate objectives, the Board feels management will necessarily increase the long-term value of the Corporation, and generate sustainable long term increases in stockholders' value. Each year the Board selects those annual corporate objectives from among criteria which were approved by the stockholders of the Corporation. For 2015, the objectives were chosen from those approved at the Corporation's annual meeting on April 26, 2011. Those objectives were again approved by stockholders in May of 2015 as part of the 2015 Equity Compensation Plan, which amended and restated the 2011 Plan. While the Board believes that each of the various annual corporate objectives is relevant to the determination of executive compensation, the achievement of any one annual corporate objective would not, in and of itself, result in a specific cash profit share amount being paid to our named executive officers. In determining the goals, the Board sets the targets at levels that are realistic, but not certain.

The target profit share in cash for the Executive Chairman and the Chief Executive Officer is 125% of salary and varies for other officers and employees. See "Summary Compensation" and "2015 Compensation Decisions" for more information regarding profit sharing awards for 2015.

• Equity-based Compensation Programs — As discussed above, the Corporation believes it should, subject to achievement of certain academic, operational, financial, and individual objectives, make annual equity grants in order to retain, motivate, and align the interests of those key executive officers with stockholders.

Equity awards under this program are only made after the Compensation Committee and full Board of Directors have completed their analysis of both corporate and individual performance described in the previous section on profit sharing. For our Chief Executive Officer, we feel that at least 50% of his or her target total annual compensation should be performance-based in the form of equity grants of restricted stock with at least a four year cliff vest.

We view our equity as very valuable and are reluctant to issue it. This means that we only grant restricted stock or stock options to employees and directors as compensation when we believe we are getting fair value (in terms of their service) in return.

Our restricted stock agreements with employees contain clawback provisions. If the Corporation is required to prepare an accounting restatement due to the material noncompliance of the Corporation, as a result of misconduct, with any financial reporting requirement and the employee engaged in that misconduct knowingly failed to prevent the misconduct or was grossly negligent in preventing the misconduct, the employee is required to reimburse the Corporation the amount of payment in settlement of the award earned or accrued during the 12-month period following the filing of the financial document that contained information affected by the material noncompliance. In addition, if the Corporation is required to prepare an accounting restatement, then the employee must forfeit any cash or stock received in connection with the award if any amount of the award was explicitly based on the achievement of pre-established performance goals that were later determined, as a result of the accounting restatement, not to have been achieved.

• Perquisites and Other Personal Benefits — The Corporation does not offer any perquisites. The Corporation does reimburse relocation expenses including tax gross-ups, when applicable. This benefit is offered to officers hired from a different location to encourage prospective executives to relocate.

• Employment Agreements with Mr. Silberman and Mr. McDonnell — Robert S. Silberman, the Corporation's Executive Chairman, has an employment agreement with the Corporation which had an initial term of approximately three years (ending on December 31, 2004), and thereafter, automatically extended for successive one-year periods unless either the Corporation or Mr. Silberman provided timely notice to the contrary. Mr. Silberman's employment agreement was amended on May 2, 2013, in connection with his transition from Chief Executive Officer to Executive Chairman, and then again in April 24, 2014. Under the agreement, as amended, Mr. Silberman's term of employment is six years, and is renewable thereafter for one year terms unless the Corporation or Mr. Silberman provides notice otherwise. The amended agreement provides for a base salary of $665,000 per annum (subject to

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annual increases for at least cost of living adjustments). Mr. Silberman is also eligible to receive a target profit share of at least 125% of base salary, for each of the fiscal years during which he is employed, upon meeting certain corporate and financial goals annually approved by the Board. In the event of termination without cause, the employment contract also provides for the payment of three years base salary, three years of medical benefits, and all stock awards shall immediately vest. The employment agreement provides for a double trigger change of control termination clause, wherein if Mr. Silberman's termination is without cause within six months of the effective date of the change of control or there occurs a material reduction in Mr. Silberman's authority, function, duties or responsibilities which causes Mr. Silberman's resignation within six months of the change of control, he is entitled to the same payments and benefits as in a termination without cause, plus an amount equal to three times the latest annual profit share award paid to him prior to the event of termination. Mr. Silberman is not entitled to a gross-up payment for any excise taxes imposed on termination payments.

The Corporation also entered into an employment agreement on May 2, 2013 with Karl McDonnell, in connection with his promotion to Chief Executive Officer (he did not previously have an employment agreement), and amended that agreement on April 24, 2014. Under the employment agreement, as amended, Mr. McDonnell's term of employment is six years and is renewable thereafter for one year terms unless the Corporation or Mr. McDonnell provides notice otherwise. Under the agreement Mr. McDonnell will receive a base salary of $665,000 per annum (subject to annual increases for at least cost of living adjustments). Mr. McDonnell is also eligible to receive a target profit share of 125% of base salary for each fiscal year during which he is employed, upon meeting certain corporate and financial goals annually approved by the Board. In addition, Mr. McDonnell's employment agreement provides for an annual restricted share grant, conditioned upon applicable performance criteria as may be established by the Compensation Committee and with a four-year cliff vest, with a target value equivalent to $2,000,000, awarded at each annual meeting. Mr. McDonnell is not entitled to a gross-up payment for any excise taxes which may be imposed on termination payments, and his employment agreement contains a double trigger termination clause identical to the clause in Mr. Silberman's employment agreement, discussed above.

• Retirement and Deferred Compensation Plans — The Corporation maintains a retirement plan (the "401(k) Plan") intended to qualify under Sections 401(a) and 401(k) of the Internal Revenue Code of 1986, as amended. The 401(k) Plan is a defined contribution plan that covers all eligible full-time and part-time employees of the Corporation of at least 21 years of age. The Corporation, in its discretion, matches employee contributions up to a maximum authorized amount under the plan. In 2015, the Corporation matched 50% of employee deferrals up to a maximum of 3% of the employee's annual salary. The Corporation offers this plan to enable and encourage its employees to save for their retirement in a tax advantageous way. The Corporation also maintains an Employee Stock Purchase Plan (the "Employee Purchase Plan"). The purpose of the Employee Purchase Plan is to enable eligible full-time employees of the Corporation, through payroll deductions, to purchase shares of its common stock at a 10% discount from the prevailing market price from time to time. The Corporation offers this plan to encourage stock ownership by its employees.

2015 Compensation Decisions

The compensation policies and objectives outlined above formed the basis for the Compensation Committee's recommendation, and the Board's determination, of 2015 compensation for the Chief Executive Officer and the NEOs, and compensation reflected a pay for performance philosophy based on corporate and personal achievements in 2015.

Salary: As in years past and consistent with our pay policy and objectives, the salary for our Chief Executive Officer in 2015 was well below the average of our peer companies. Likewise, salaries for other named executive officers were at or below the midpoint. In 2015, as he has each year since 2008, Mr. Silberman declined his contractual increase in salary. For 2015, Mr. McDonnell also declined his contractual increase in salary as he had in 2014. As a result, both executives' salaries remained the same as in 2014. The salaries of Mr. Jackson and Mr. Jones increased in 2015 over 2014 by approximately 20%, due to their appointments in 2015 to Chief Financial officer, and Strayer University President, respectively. Ms. Rose, who was promoted to the position of Chief Operating Officer of Strayer

University in 2015, received a salary increase of approximately 8%.

Profit Sharing: For 2013 and thereafter our Board adopted a cash profit sharing plan for our senior officers which provides for a portion of pretax operating income to be allocated among the top officers of the University and Corporation, assuming the satisfactory achievement of the Corporation's annual objectives. At the start of each year, the Compensation Committee exercises its pay discretion by setting specific goals upon which to evaluate pay-for-performance in the upcoming year. These goals are comprised of quantitative financial objectives, which account for 75% of the pay-for-performance evaluation, and qualitative academic measures, which account for the remaining 25%. In turn, the Compensation Committee sets a range of quantitative metrics which, if met, would yield a 100% payout of profit share targets, a threshold range which would yield a 50% payout, and a maximum range that would yield a payout at 150% of target levels.

For 2015, the Compensation Committee set quantitative financial objectives for Revenue, EBIT, and Net Income, (with each metric weighted equally); and qualitative academic objectives including launching a 2-year bachelor's completion program for registered nurses and maintaining academic and financial metrics to comply with Federal regulatory requirements such as cohort default rates and 90/10.

After the conclusion of the fiscal year, the Compensation Committee evaluated the achievement of both the quantitative metrics and the qualitative goals, and having determined that all had been met at target levels, awarded cash profit share at the target payout amount for the CEO, Executive Chairman, and the other NEOs. The below chart shows the breakdown of the financial goals and objectives for 2015 upon which the Compensation Committee made its pay-for-performance determinations for our CEO and NEOs:

Measure	Weight	Threshold 50% Payout		Target 100% Payout		Maximum 150% Payout		2015 Results	
Revenue (in thousand $)	25%	$	409,000	$	420,000 – 464,000	$	475,000	$	434,437
EBIT (in thousand $)	25%	$	64,250	$	66,000 – 73,000	$	74,750	$	69,698
Net Income (in thousand $)	25%	$	36,500	$	37,500 – 41,500	$	42,500	$	40,023

In addition, the Compensation Committee determined that the Corporation met or exceeded all of its qualitative academic objectives (comprising 25% of the weighted payout), including the successful launch of an RN-BSN program, a cohort default rate of 11.6% (below the national average for all colleges and universities), and a 90/10 rate of 73% for 2014. As such, the Compensation Committee awarded the Corporation's senior officers a full profit share.

Based on this information, coupled with the evaluation of individual performance during the course of the year, the Compensation Committee made the following payouts:

	Annual Target as a Percentage of Base Salary	2015 Target Award Opportunity		2015 Actual Award		Percent of Target Paid Based on Performance
Robert S. Silberman	125%	$	831,250	$	835,000	126%
Karl McDonnell	125%	$	831,250	$	835,000	126%

Equity-based Compensation: The Corporation views its equity as very valuable, and is reluctant to issue it. In any given year equity grants will generally not be awarded if the Corporation fails to achieve the quantitative and qualitative goals as outlined above, but neither does the achievement of those goals dictate that grants must be made. Instead, the Compensation Committee determines the grant of equity for NEOs, and at what level, based on the NEOs contributions to having achieved those corporate goals, coupled with the Corporation's desire to retain, motivate, and align the interests of those key executive officers with stockholders' interest.

In May 2015, the Board awarded Mr. McDonnell a restricted share equity grant of $2,000,000 (his target level), which shall vest in four years and is subject to the achievement of performance criteria established by the Compensation Committee, in accordance with his employment agreement. Mr. Jackson, who was elevated to Chief Financial Officer in March of 2015, received a grant of $500,000 which cliff-vests after four years. Ms. Rose, who was elevated to Executive Vice President of Operations in 2014 and then named Chief Operating Officer of Strayer University in 2015, was awarded a $2,000,000 grant in recognition of her past performance and for future retention purposes, which cliff-vests after four years subject to satisfaction of performance criteria.

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Recoupment Policy

The Corporation has adopted a Recoupment Policy that requires each executive officer, as so designated under Rule 3b-7 of the Securities Exchange Act of 1934, as amended, to acknowledge and agree that any award, including all cash profit sharing compensation or equity-based compensation, will be repaid should a "Triggering Event" occur. A Triggering Event is defined in the Recoupment Policy as a decision by the Audit Committee to effect an accounting restatement of the Corporation's previously published financial statements caused by material non-compliance by the Company with any financial reporting requirement due to fraud, misconduct, negligence, or lack of sufficient oversight on the part of any executive officer, or a decision by the Compensation Committee that one or more performance metrics used for determining previously paid incentive compensation was incorrectly calculated and, if calculated correctly, would have resulted in a lower payment to one or more executive officers.

Impact of Tax and Accounting Treatment

Under Section 162(m) of the Internal Revenue Code of 1986, as amended and applicable Treasury regulations, no deduction is allowed for annual compensation in excess of $1 million paid by a publicly traded corporation to its chief executive officer and the three other highest compensated executive officers (other than the chief financial officer). Under those provisions, however, there is no limitation on the deductibility of "qualified performance-based compensation." In general, the Corporation's policy is to maximize the extent of tax deductibility of executive compensation under the provisions of Section 162(m) so long as doing so is compatible with its determination as to the most appropriate methods and approaches for the design and delivery of compensation to the Corporation's executive officers.

Summary Compensation

The following table sets forth all compensation awarded to the Corporation's named executive officers for the fiscal years ended December 31, 2013, 2014, and 2015.

Summary Compensation Table

	Year	Salary	Cash Profit Share[(a)]	Stock Awards[(b)]	Option Awards[(b)]	All Other Compensation[(c)]	Total
Robert S. Silberman, Executive Chairman	2015	$ 665,000	$ 835,000	$ —	$ —	$ 3,975	$ 1,503,975
	2014	$ 665,000	$ 835,000	$ —	$ —	$ 3,900	$ 1,503,900
	2013	$ 665,000	$ 535,000	$ —	$ 2,209,000	$ 3,825	$ 3,412,825
Karl McDonnell, Chief Executive Officer & Director	2015	$ 665,000	$ 835,000	$ 2,000,000	$ —	$ 3,975	$ 3,503,975
	2014	$ 665,000	$ 835,000	$ 2,000,000	$ —	$ 3,900	$ 3,503,900
	2013	$ 582,000	$ 535,000	$ 2,000,000	$ —	$ 3,825	$ 3,120,825
Daniel W. Jackson, Executive Vice President & Chief Financial Officer[(d)]	2015	$ 312,500	$ 225,000	$ 500,000	$ —	$ 3,975	$ 1,041,475
	2014	$ 260,000	$ 120,000	$ 150,000	$ —	$ 3,900	$ 533,900
	2013	$ 235,000	$ 65,000	$ 1,000,000	$ —	$ 3,825	$ 1,303,825
Mark C. Brown,	2015	$ 55,246	$ —	$ —	$ —	$ 1,063	$ 56,309

Former Executive Vice President &	2014	$ 342,000	$ 517,000	$ —	$ —	$ 3,900	$ 862,900
Chief Financial Officer[d]	2013	$ 342,000	$ 175,000	$ 1,500,000	$ —	$ 3,825	$ 2,020,825
Brian W. Jones,	2015	$ 360,577	$ 250,000	$ —	$ —	$ —	$ 610,577
President, Strayer	2014	$ 300,000	$ 100,000	$ 250,000	$ —	$ —	$ 650,000
University[e]	2013	$ 260,000	$ 100,000	$ 750,000	$ —	$ —	$ 1,110,000
Rosemary J. Rose,	2015	$ 325,000	$ 225,000	$ 2,000,000	$ —	$ 3,975	$ 2,553,975
Chief Operating Officer,	2014	$ 300,000	$ 225,000	$ 200,000	$ —	$ 210,369	$ 935,369
Strayer University	2013	$ 250,000	$ 100,000	$ 500,000	$ —	$ 14,434	$ 864,434

(a) The Cash Profit Share reported in this column was earned in fiscal years 2015, 2014, and 2013 and paid in fiscal years 2016, 2015, and 2014, respectively. See “Profit Sharing” discussion above for additional detail.

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(b) The amounts shown in the columns above reflect the grant date fair value of each award computed in accordance with FASB ASC Topic 718. The value of any dividends paid by the Corporation is assumed to be included in the grant date fair value of each award.

(c) See "Supplemental All Other Compensation Table" below for additional detail.

(d) Mr. Jackson assumed the role of Executive Vice President and Chief Financial Officer upon Mr. Brown's retirement, which was effective March 1, 2015.

(e) Mr. Jones was appointed Interim University President on March 16, 2015 and was appointed University President on June 26, 2015.

In 2015, All Other Compensation is comprised of the Corporation's match of contributions to a 401(k) plan only. The table below sets forth this information by named executive officer for the fiscal years ended December 31, 2013, 2014, and 2015.

Supplemental All Other Compensation Table

	Year	Corporation's 401(k) Match	Other		Total All Other Compensation
Robert S. Silberman,	2015	$ 3,975	$ —		$ 3,975
Executive Chairman	2014	$ 3,900	$ —		$ 3,900
	2013	$ 3,825	$ —		$ 3,825
Karl McDonnell,	2015	$ 3,975	$ —		$ 3,975
Chief Executive Officer & Director	2014	$ 3,900	$ —		$ 3,900
	2013	$ 3,825	$ —		$ 3,825
Daniel W. Jackson,	2015	$ 3,975	$ —		$ 3,975
Executive Vice President &	2014	$ 3,900	$ —		$ 3,900
Chief Financial Officer	2013	$ 3,825	$ —		$ 3,825
Mark C. Brown,	2015	$ 1,063	$ —		$ 1,063
Former Executive Vice President &	2014	$ 3,900	$ —		$ 3,900
Chief Financial Officer	2013	$ 3,825	$ —		$ 3,825
Brian W. Jones,	2015	$ —	$ —		$ —
President, Strayer University	2014	$ —	$ —		$ —
	2013	$ —	$ —		$ —
Rosemary J. Rose,	2015	$ 3,975	$ —		$ 3,975
Chief Operating Officer, Strayer University	2014	$ 3,900	$ 206,469	(a)	$ 210,369
	2013	$ 3,737	$ 10,697	(b)	$ 14,434

(a) Ms. Rose received $206,469 in 2014 related to her relocation, of which $56,469 was for tax gross-ups.

(b) Imputed income related to tuition benefits.

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Grants of Plan-Based Awards

The following table sets forth grants of plan-based awards to the Corporation’s named executive officers for the fiscal year ended December 31, 2015.

Grants of Plan-Based Awards Table

Name	Grant Date	All Stock Awards: Number of Shares of Stock or Units (#)	Grant Date Fair Value of Stock Awards ($)	Vesting Date
Robert S. Silberman, Executive Chairman	n/a	—	—	n/a
Karl McDonnell, Chief Executive Officer & Director	5/5/15	40,867(a)	2,000,000	5/5/19
Daniel W. Jackson, Executive Vice President & Chief Financial Officer	2/4/15	7,128(b)	500,000	2/4/19
Mark C. Brown, Former Executive Vice President & Chief Financial Officer	n/a	—	—	n/a
Brian W. Jones, President, Strayer University	n/a	—	—	n/a
Rosemary J. Rose, Chief Operating Officer, Strayer University	2/4/15	28,510(b)	2,000,000	2/4/19

(a) This award of restricted stock vests 100% on May 5, 2019, subject to satisfaction of certain performance criteria. The Corporation’s closing price of common stock was $48.94 on the date of this award.

(b) These awards of restricted stock vest 100% on February 4, 2019. Ms. Rose’s award is subject to satisfaction of certain performance criteria. The Corporation’s closing price of common stock was $70.15 on the date of these awards.

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Outstanding Equity Awards at Fiscal Year-End

The following tables set forth outstanding option and stock awards of the Corporation's named executive officers as of December 31, 2015.

Outstanding Option Awards Table at Fiscal Year-End

Name	Number of Securities Underlying Unexercised Options (#) Exercisable	Option Grant Date	Option Exercise Price ($)	Option Full Vesting Date	Option Expiration Date	Market Value of Stock Options at 12/31/15 ($)
Robert S. Silberman, Executive Chairman	100,000	2/15/13	$ 51.95	2/15/15	2/14/21	$ 817,000 (a)
Karl McDonnell, Chief Executive Officer & Director	—	—	—	—	—	—
Daniel W. Jackson, Executive Vice President & Chief Financial Officer	—	—	—	—	—	—
Mark C. Brown, Former Executive Vice President & Chief Financial Officer	—	—	—	—	—	—
Brian W. Jones, President, Strayer University	—	—	—	—	—	—
Rosemary J. Rose, Chief Operating Officer, Strayer University	—	—	—	—	—	—

(a) The Corporation's closing stock price of $60.12 on December 31, 2015 was compared to the option exercise price of $51.95 to determine the market value of these stock options at December 31, 2015.

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Outstanding Stock Awards Table at Fiscal Year-End

Name	Restricted Stock/ Restricted Stock Unit Award Date	Number of Shares or Units of Stock That Have Not Vested (#)		Market Value of Shares of Stock at 12/31/15 That Have Not Vested ($)	Restricted Stock Vesting Date
Robert S. Silberman, Executive Chairman	3/22/13	200,000	(a)	12,024,000	2/10/19
Karl McDonnell, Chief Executive Officer & Director	2/14/12	6,491	(b)	390,000	2/14/17
	5/2/13	43,659	(c)	2,625,000	5/2/17
	5/6/14	46,674	(d)	2,806,000	5/6/18
	5/5/15	40,867	(e)	2,457,000	5/5/19
Daniel W. Jackson, Executive Vice President & Chief Financial Officer	2/14/12	1,298	(b)	78,000	2/14/17
	2/12/13	16,057	(f)	965,000	2/12/18
	2/19/14	4,458	(g)	268,000	2/19/18
	2/4/15	7,128	(h)	429,000	2/4/19
Mark C. Brown Former Executive Vice President & Chief Financial Officer	2/14/12	4,327	(b)	260,000	2/14/17
	2/12/13	24,085	(f)	1,448,000	2/12/18
Brian W. Jones, President, Strayer University	2/12/13	12,042	(f)	724,000	2/12/18
	2/19/14	7,429	(g)	447,000	2/19/18
Rosemary J. Rose, Chief Operating Officer, Strayer University	2/14/12	1,298	(b)	78,000	2/14/17
	2/12/13	8,028	(f)	483,000	2/12/18
	2/19/14	5,944	(g)	357,000	2/19/18
	2/4/15	28,510	(h)	1,714,000	2/4/19

(a) This award of restricted stock units vests 100% on February 10, 2019, subject to the satisfaction of certain performance criteria. Originally awarded as restricted stock, the award was converted to restricted stock units in 2013, and the receipt of which is deferred until retirement or other termination of employment. In connection with his appointment as Executive Chairman, the Company modified the performance criteria of these restricted stock units to focus on academic accreditation and regulatory compliance.

(b) These awards of restricted stock vest 100% on February 14, 2017. The Corporation's closing price of common stock was $115.55 on the date of these awards.

(c) This award of restricted stock vests 100% on May 2, 2017, subject to the satisfaction of certain performance criteria. The Corporation's closing price of common stock was $45.81 on the date of this award.

(d) This award of restricted stock vests 100% on May 6, 2018, subject to the satisfaction of certain performance criteria. The Corporation's closing price of common stock was $42.85 on the date of this award.

(e) This award of restricted stock vests 100% on May 5, 2019, subject to the satisfaction of certain performance criteria. The Corporation's closing price of common stock was $48.94 on the date of these awards.

(f) These awards of restricted stock vest 100% on February 12, 2018, subject to the satisfaction of certain performance criteria. The Corporation's closing price of common stock was $62.28 on the date of these awards.

(g) These awards of restricted stock vest 100% on February 19, 2018. The Corporation's closing price of common stock was $33.65 on the date of these awards.

(h) These awards of restricted stock vest 100% on February 4, 2019. Ms. Rose's award is subject to the satisfaction of certain performance criteria. The Corporation's closing price of common stock was $70.15 on the date of these awards.

Option Exercises and Stock Vested Table

None of the named executive officers exercised stock options or had stock awards vest during the fiscal year ended December 31, 2015.

Potential Payments upon Termination or Change in Control

Mr. Silberman and Mr. McDonnell are the only named executive officers with employment contracts, and both agreements provide for a double-trigger change of control termination clause. In the event that Mr. Silberman is terminated by the Corporation without cause, he is entitled to receive a lump sum payment of three years' salary, which would currently total $2.0 million, and all stock awards shall immediately vest. If Mr. Silberman is terminated without cause within six months of a change of control, or there occurs a material reduction in his authority, function, duties or responsibilities which cause his resignation within six months of a change of control, Mr. Silberman is entitled to receive a lump sum payment of three times his annual salary plus three times his latest previous annual profit share award actually paid. (A change in control is defined in the contract as acquisition of more than 50% of the voting stock of the Corporation or the acquisition of combined voting power of the then-outstanding voting securities entitled to vote generally in the election of directors, completion of a merger or other business combination resulting in a change in control of more than 50% of the voting stock of the Corporation, election of a substantially different Board of Directors or approval by stockholders of a complete liquidation or dissolution of the Corporation.) Consistent with the agreement with Mr. Silberman in effect since 2001, Mr. Silberman is entitled to three years of medical benefits following termination (estimated cost of $45,000). Mr. Silberman is not entitled to a gross-up payment for any excise taxes which may be imposed on termination payments. The agreement also contains covenants restricting Mr. Silberman from competing with the Corporation for six years after his termination of employment and requires Mr. Silberman to keep confidential the Corporation's proprietary information.

In the event that Mr. McDonnell is terminated by the Corporation without cause, he is entitled to receive a lump sum payment of three years' salary (which would currently total $2.0 million), three years' medical benefits, and all restricted stock awards shall immediately vest unless provided otherwise in the agreement applicable to such restricted awards. If Mr. McDonnell is terminated without cause within six months of a change of control, or there occurs a material reduction in his authority, function, duties or responsibilities which cause his resignation within six months of a change of control, Mr. McDonnell is entitled to the same payments and benefits as in a termination without cause, plus three times his latest previous annual profit share award actually paid. (A change in control is defined in the same manner as in Mr. Silberman's employment agreement.) Mr. McDonnell is not entitled to a gross-up payment for any excise taxes which may be imposed on termination payments. The agreement also contains covenants restricting Mr. McDonnell from competing with the Corporation for six years after his termination of employment and requires Mr. McDonnell to keep confidential the Corporation's proprietary information.

For all named executive officers, stock options and restricted stock awards made prior to 2013 vest immediately upon the occurrence of a change in control of the Corporation as defined in their respective stock option or restricted stock agreements. Change in control is defined in substantially the same way as in Mr. Silberman's contract. For any stock options and restricted awards made in 2013 and thereafter, the options and awards vest in connection with a change in control only if such change in control results in termination, defined as (1) termination of employment by the Corporation without cause within six months of the effective date of the change in control or (2) the occurrence of a material reduction in the officers' authority, functions, duties or responsibilities which causes the executives' resignation from the Corporation within six months of the effective date of the change in control.

The valuation of the acceleration that would have been made for stock-based awards had there been a change in control at the closing price of $60.12 of the Corporation's common stock at December 31, 2015 is set forth below. Awards made prior to 2013 would accelerate with only a change in control, and those made in 2013, 2014, and 2015 would accelerate with a change in control plus a termination or constructive termination.

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Name	Value Realized Upon Vesting Due to Change in Control ($)	Value Realized Upon Vesting Due to Change in Control with Termination ($)
Robert S. Silberman	—	12,841,000
Karl McDonnell	390,000	8,278,000
Daniel W. Jackson	78,000	1,740,000
Mark C. Brown	260,000	1,708,000
Brian W. Jones	—	1,171,000
Rosemary J. Rose	78,000	2,632,000

Securities Authorized for Issuance Under Equity Compensation Plans

Set forth in the table below is information pertaining to securities authorized for issuance under the Corporation's equity compensation plans as of December 31, 2015. There are options and restricted stock units but no warrants existing under these plans.

Equity Compensation Plan Information
as of December 31, 2015

Plan Category	Number of securities to be issued upon exercise of outstanding options, warrants and rights (a)	Weighted average exercise price of outstanding options, warrants and rights (b)			Number of securities remaining available for future issuance under equity compensation plans (excluding securities reflected in column(a)) (c)
Equity compensation plans previously approved by security holders					
2015 Equity Compensation Plan which replaced the 2011 Equity Compensation Plan as amended	50,000		—		—
2011 Equity Compensation Plan which replaced the 1996 Stock Option Plan as amended	300,000	$	51.95	(1)	449,294
Equity compensation plans not previously approved by security holders	—		—		—
Total	350,000	$	51.95		449,294

(1) The weighted average covers the 100,000 stock options and not the 200,000 restricted stock units.

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COMPENSATION COMMITTEE REPORT

The Compensation Committee of the Strayer Education, Inc. Board of Directors is currently composed of three directors — Messrs. Wargo (Chair), Brock and Johnson. Between February 4, 2015, the date of the last Compensation Committee Report, and February 2, 2016, the Compensation Committee met one time.

The Compensation Committee has reviewed and discussed the Compensation Discussion and Analysis section with management and, based on the review and discussion, the Committee recommended to the Board to include this information in the Corporation's Annual Report on Form 10-K and proxy statement.

Compensation Committee:
J. David Wargo, Chair
William E. Brock
Robert L. Johnson

AUDIT COMMITTEE REPORT

The Audit Committee of the Strayer Education, Inc. (the "Corporation") Board of Directors is composed of three directors, all of whom are independent, as independence is defined under the NASDAQ Listing Standards and Rule 10A-3(b)(1) of the 1934 Act. For the year ended December 31, 2015, the Audit Committee was composed of Messrs. Waite (Chair), Grusky, and Milano. The Audit Committee operates under a written charter first adopted in 2001, which is currently reviewed annually and which has periodically been subsequently revised by the Committee to reflect regulatory developments.

The function of the Audit Committee is oversight. The management of the Corporation is responsible for the preparation, presentation and integrity of the Corporation's financial statements. Management is responsible for maintaining appropriate accounting and financial reporting policies and internal controls and procedures that provide for compliance with accounting standards and applicable laws and regulations.

The independent auditors are responsible for planning and carrying out a proper audit of the Corporation's annual financial statements, reviews of the Corporation's quarterly financial statements prior to the filing of each quarterly report on Form 10-Q, and other procedures.

In connection with this responsibility, during 2015 the Audit Committee met and held discussions with management five times together with the independent registered public accounting firm. The Audit Committee reviewed and discussed the audited financial statements with management. At least quarterly, as a matter of practice, the Audit Committee, in addition to the agenda with all present, meets separately with management, internal audit, and PricewaterhouseCoopers LLP, and in executive session of itself. Management represented to the Audit Committee that the Corporation's consolidated financial statements were prepared in accordance with generally accepted accounting principles, and the Audit Committee reviewed and discussed the consolidated financial statements with management and, independently with PricewaterhouseCoopers LLP. The Committee also discussed with PricewaterhouseCoopers LLP the matters covered by Public Company Accounting Oversight Board Auditing Standard No. 16, Communications with Audit Committees.

During the year 2015, management conducted the documentation, testing and evaluation of the Corporation's system of internal control over financial reporting in response to the requirements set forth in Section 404 of the Sarbanes-Oxley Act of 2002 and related regulations. The Audit Committee was kept apprised of the progress of the evaluation and provided oversight during the process. In connection with this oversight, the Audit Committee received periodic updates provided by management and PricewaterhouseCoopers LLP at each regularly scheduled Audit Committee meeting. At the conclusion of the process, management provided the Audit Committee with a report on the effectiveness of the Corporation's internal control over financial reporting. The Audit Committee also reviewed the report of management contained in the Corporation's Annual Report on Form 10-K for the fiscal year ended December 31, 2015 filed with the SEC, as well as PricewaterhouseCoopers LLP's Report of Independent Registered Public Accounting Firm (included in the Corporation's Annual Report on Form 10-K). This report of PricewaterhouseCoopers LLP related to its audit of (i) the consolidated financial statements and (ii) the effectiveness of internal control over financial reporting. The Audit Committee continues to oversee the Corporation's efforts related to its internal control over financial reporting.

The Audit Committee has received from PricewaterhouseCoopers LLP the written disclosures and the letter required by the applicable standards of the Public Company Accounting Oversight Board regarding communications with the Audit Committee concerning the independence of PricewaterhouseCoopers LLP and has discussed with PricewaterhouseCoopers LLP its independence. PricewaterhouseCoopers LLP advised the Committee that there were no disagreements with management regarding the preparation of the Corporation's financial statements or the conduct of the annual audit.

Based upon the review and discussions referred to above, the Audit Committee recommended to the Board of Directors that the audited financial statements for the year 2015 be included in the Corporation's annual report on Form 10-K for the year ended December 31, 2015, filed with the SEC, and that PricewaterhouseCoopers LLP be retained as the Corporation's independent registered public accounting firm for the fiscal year 2016.

Audit Committee:
G. Thomas Waite, III, Chair
Robert R. Grusky
Todd A. Milano

Certain Transactions with Related Parties

The Corporation had no transactions with related parties during the fiscal year ended December 31, 2015 that would need to be disclosed pursuant to Item 404 of Regulation S-K. The Corporation prohibits conflict of interest activities by any director or officer, or persons related thereto, unless specifically approved in advance and in writing by the General Counsel, CEO, and Audit Committee of the Board of Directors after full disclosure of all aspects of the activity. A conflict of interest is defined generally to include situations where a person (i) has a private interest that materially conflicts or interferes with the interests of the Corporation, (ii) has a material personal interest that will impair the person's ability to perform his or her work objectively and effectively, or (iii) derives a material personal benefit as a result of the person performing services for the Corporation. Among the other circumstances that may be considered conflicts of interest, any engagement in a personal business transaction involving the Corporation for profit or gain will be considered a conflict of interest requiring advance approval under the Code of Business Conduct. The Corporation's policy prohibiting conflict of interest activities is further described in the Code of Business Conduct.

PROPOSAL 2

Ratification of Appointment of Independent Registered Public Accounting Firm

The Audit Committee and the Board of Directors have appointed PricewaterhouseCoopers LLP to serve as the Corporation's independent registered public accounting firm for the fiscal year ending December 31, 2016. PricewaterhouseCoopers LLP has acted as the Corporation's independent registered public accounting firm for the fiscal year ended December 31, 2015. Representatives of PricewaterhouseCoopers LLP are expected to be present at the Annual Meeting and will have an opportunity to make a statement if they desire and to respond to appropriate questions. Although stockholder ratification of the appointment of auditors is not required as a technical matter, the appointment of PricewaterhouseCoopers LLP is being submitted for ratification as a matter of good corporate practice in order that the Audit Committee may take into consideration the views of stockholders on this matter. The ratification of the appointment of PricewaterhouseCoopers LLP requires the approval of a majority of the votes cast at the Annual Meeting.

The Board of Directors recommends a vote for the proposal to ratify the appointment of PricewaterhouseCoopers LLP as the Corporation's independent registered public accounting firm for the fiscal year ending December 31, 2016.

Principal Accounting Fees and Services

Set forth below are the services rendered and related fees billed by PricewaterhouseCoopers LLP for 2014 and 2015:

	2014		2015	
Audit Fees				
Recurring:				
Consolidated financial statements audit	$	680,000	$	789,980
Non-recurring:				
Other audit work		25,000		—
Tax Fees				
Preparation of corporate tax returns		93,000		92,620
Other tax compliance/tax advice		90,655		75,445
All Other Fees				
License fee for accounting tools		1,800		1,800
	$	890,455	$	959,845

It is the Audit Committee's policy to pre-approve all audit and non-audit related services provided by the Corporation's independent registered public accounting firm. All of the services described above were pre-approved by the Corporation's Audit Committee.

PROPOSAL 3

Advisory Vote on the Compensation of the Named Executive Officers

This proposal, commonly known as a “Say on Pay” proposal, allows our stockholders to express their opinions regarding the decisions of the Compensation Committee on the prior year’s annual compensation to the named executive officers. Stockholders vote, on an advisory basis, to approve, reject or abstain from the compensation of our named executive officers. This vote does not address any specific item of compensation, but rather the overall compensation of our named executive officers and our compensation philosophy, policies and practices, as disclosed in this proxy statement.

As discussed in the Compensation Discussion and Analysis section of this proxy statement, the objectives of our compensation program are, among other things:

- To ensure compliance with applicable regulatory, legal and ethical business standards,
- To attract and retain highly qualified and productive individuals,
- To reward superior contribution to the long term performance of the Corporation,
- To encourage officers and directors to think like owners and align their interests accordingly.

Your advisory vote will serve as an additional tool to guide the Board of Directors and the Compensation Committee in continuing to align the Corporation’s executive compensation with the best interests of the Corporation and its stockholders.

The affirmative vote of a majority of votes cast at the Annual Meeting is required for approval of this proposal. This proposal will be presented at the Annual Meeting as a resolution in substantially the following form:

RESOLVED, that the compensation paid to the Corporation’s named executive officers, as disclosed pursuant to Item 402 of Regulation S-K, including the Compensation Discussion and Analysis, compensation tables and narrative discussion, is hereby APPROVED.

Although the final vote is advisory in nature and therefore is not binding on us, does not affect past executive compensation, and creates no additional fiduciary obligations, the Board and Compensation Committee intend to consider carefully the voting results of this proposal when making future compensation decisions for our named executive officers.

The Board of Directors believes that our compensation program achieves our objectives outlined above, and therefore recommends a vote “for” this proposal.

Stockholder Proposals

All stockholder proposals intended to be considered for inclusion in the Corporation's proxy material for the 2017 Annual Meeting of Stockholders must be received by the Corporation no later than November 17, 2016 and must comply with all applicable SEC and other rules.

Under the Corporation's Bylaws, if a stockholder wishes to present an item of proper business at the 2017 Annual Meeting of Stockholders (other than a proposal submitted for inclusion in the Corporation's proxy statement pursuant to SEC rules), the stockholder must give advance written notice to the Corporation's Secretary at 2303 Dulles Station Blvd., Herndon, Virginia 20171, not less than 90 days nor more than 120 days before the first anniversary of the date of this proxy statement. As a result, any notice given by a stockholder pursuant to these provisions in our Bylaws must be received no earlier than November 17, 2016 and no later than December 17, 2016. Such notice must include all of the information required by the Corporation's Bylaws.

Householding of Proxy Materials

The SEC has adopted rules that permit companies and intermediaries (e.g., brokers) to satisfy the delivery requirements for proxy statements and annual reports with respect to two or more stockholders sharing the same address by delivering a single proxy statement addressed to those stockholders. This process, which is commonly referred to as "householding," potentially means extra convenience for stockholders and cost savings for companies.

This year, a number of brokers with account holders who are our stockholders will be "householding" our proxy materials. A single proxy statement will be delivered to multiple stockholders sharing an address unless contrary instructions have been received from the affected stockholders. Once you have received notice from your broker that they will be "householding" communications to your address, "householding" will continue until you are notified otherwise or until you revoke your consent. If, at any time, you no longer wish to participate in "householding" and would prefer to receive a separate proxy statement and annual report, please notify your broker.

You may also request an additional proxy statement and annual report by sending a written request to:

Strayer Education, Inc.
Attn: Daniel W. Jackson
Executive Vice President & Chief Financial Officer
2303 Dulles Station Boulevard
Herndon, Virginia 20171
(703) 561-1600

Stockholders who currently receive multiple copies of the proxy statement at their addresses and would like to request "householding" of their communications should contact their brokers.

Other Matters

The Corporation knows of no other matters to be presented for action at the Annual Meeting other than those mentioned above. However, if any other matters should properly come before the meeting, it is intended that the persons named in the accompanying proxy card will vote on such matters in accordance with their best judgment.

STRAYER EDUCATION, INC.

REVOCABLE PROXY

ANNUAL MEETING OF STOCKHOLDERS TO BE HELD ON MAY 3, 2016

THIS PROXY IS BEING SOLICITED ON BEHALF OF THE BOARD OF DIRECTORS

The undersigned stockholder hereby appoints Robert S. Silberman, Viet D. Dinh and Daniel W. Jackson and any of them, attorneys and proxies of the undersigned, with full power of substitution and with authority in each of them to act in the absence of the other, to vote for the undersigned at the Annual Meeting of Stockholders of the Corporation to be held on May 3, 2016 at 8:00 a.m. (ET) at 2303 Dulles Station Blvd., Herndon, Virginia 20171, and at any adjournments thereof, in respect of all shares of the Common Stock of the Corporation which the undersigned may be entitled to vote, on the following matters:

PLEASE MARK, SIGN AND DATE THIS PROXY AND RETURN IT PROMPTLY TO ENSURE A QUORUM AT THE MEETING. IT IS IMPORTANT WHETHER YOU OWN FEW OR MANY SHARES. DELAY IN RETURNING YOUR PROXY MAY SUBJECT THE CORPORATION TO ADDITIONAL EXPENSE.

(Continued and to be marked, dated and signed on other side)

PLEASE DETACH ALONG PERFORATED LINE AND MAIL IN THE ENVELOPE PROVIDED.

Important Notice Regarding the Availability of Proxy Materials for the Annual Meeting of Stockholders to be held May 3, 2016. Our 2016 Proxy Statement and our 2015 Annual Report to Stockholders are available at: http://www.viewproxy.com/strayereducation/2016

Please mark your votes like this

THE BOARD OF DIRECTORS RECOMMENDS A VOTE "FOR" THE ELECTION OF DIRECTORS AND "FOR" PROPOSALS 2 AND 3.

1. Election of Directors

	FOR	AGAINST	ABSTAIN		FOR	AGAINST	ABSTAIN		FOR	AGAINST	ABSTAIN
01 Robert S. Silberman	o	o	o	04 William E. Brock	o	o	o	07 Todd A. Milano	o	o	o
02 Dr. John T. Casteen III	o	o	o	05 Robert R. Grusky	o	o	o	08 G. Thomas Waite, III	o	o	o
03 Dr. Charlotte F. Beason	o	o	o	06 Karl McDonnell	o	o	o	09 J. David Wargo	o	o	o

2. To ratify the appointment of PricewaterhouseCoopers LLP as the Corporation's Independent registered public accounting firm for the fiscal year ending December 31, 2016.

FOR AGAINST ABSTAIN

3. To approve, on an advisory basis, the compensation of the named executive officers.

FOR AGAINST ABSTAIN

This section must be completed for your vote to be counted. – Date and Sign Below.

Date

Signature

Signature (Joint Owners)

Address Change/Comments: (If you noted any Address Changes and/or Comments above, please mark box.)	Please indicate if you plan to attend this meeting	Please sign exactly as your name(s) appear(s) hereon. When signing as attorney, executor, administrator, or other fiduciary, please give full title as such. Joint owners should each sign personally. All holders must sign. If a corporation or partnership, please sign in full corporate or partnership name, by authorized officer.

PLEASE DETACH ALONG PERFORATED LINE AND MAIL IN THE ENVELOPE PROVIDED.

PROXY VOTING INSTRUCTIONS

Please have your 11-digit control number ready when voting by Internet or Telephone

Vote Your Proxy on the Internet: Go to www.cesvote.com	**Vote Your Proxy by Phone: Call 1 (888) 693-8683**	**Vote Your Proxy by Mail:**
Have your proxy card available when you access the above website. Follow the prompts to vote your shares.	Use any touch-tone telephone to vote your proxy. Have your proxy card available when you call. Follow the voting instructions to vote your shares.	Mark, sign, and date your proxy card, then detach it, and return it in the postage-paid envelope provided.