

UNITED STATES DISTRICT COURT
NORTHERN DISTRICT OF ILLINOIS
EASTERN DIVISION

AMY COOK, derivatively on behalf of CAREER)	
EDUCATION CORPORATION,)	
)	
)	Plaintiff,
vs.)	
)	
GARY E. MCCULLOUGH, STEVEN H. LESNIK,)	
LESLIE T. THORNTON, DENNIS H.)	
CHOOKASZIAN, DAVID W. DEVONSHIRE,)	
PATRICK W. GROSS, GREGORY L. JACKSON,)	
MICHAEL J. GRAHAM, THOMAS B. LALLY,)	Civil Action No. 11 C 9119
BRIAN R. WILLIAMS, THOMAS G. BUDLONG,)	
and THOMAS A. MCNAMARA,)	
)	Defendants,
- and -)	The Honorable John W. Darrah
)	
CAREER EDUCATION CORPORATION, a)	
Delaware corporation,)	
)	Nominal Defendant.
)	

STIPULATION OF SETTLEMENT

This Stipulation of Settlement, dated October 25, 2013 (the “Stipulation”), is made and entered into by and among the following Settling Parties, by and through their respective counsel of record: (i) Plaintiff Amy Cook (“Cook”) in the above-captioned case (the “Cook Action”); Plaintiff Kharran Bangari (“Bangari”) in *Bangari v. Lesnik*, No. 11 CH 41973 (Ill. Circuit Court, County of Cook) (the “Bangari Action”); and Plaintiff Gregory Alex (“Alex”) in *Alex v. McCullough*, No. 12 C 8834 (N.D. Ill.) (the “Alex Action”); and Sheri Breen, Gregory S. Lyons and Stuart Glassberg (the “Demand Shareholders”), individually and derivatively on behalf of nominal defendant Career Education Corporation (“Career Education” or the “Company”); (ii) Steven H. Lesnik, Leslie T. Thornton, Dennis H. Chookaszian, David W. Devonshire, Patrick W. Gross, Gregory L. Jackson, Thomas B. Lally, Gary E. McCullough, Michael J. Graham, Brian R. Williams, Thomas G. Budlong, Thomas A. McNamara, Colleen O’Sullivan, George Grayeb, and

Edward Snyder (collectively, the “Individual Defendants”); and (iii) nominal defendant Career Education. The Stipulation is intended by the Settling Parties to fully, finally, and forever resolve, discharge, and settle the Released Claims, subject to the terms and conditions set forth herein.

I. BACKGROUND

A. Litigation History

On December 7, 2011, Plaintiff Bangari filed a shareholder derivative action in the Circuit Court of Cook County, Illinois, County Department, Chancery Division (“State Court”). On December 22, 2011, Plaintiff Cook filed a shareholder derivative complaint in this Court. On March 9, 2012, an individual named Gregory S. Lyons sent a demand to the Board of Directors of Career Education (“the Board”) requesting that the Board initiate certain litigation on behalf of Career Education (the “Lyons Demand”). On April 5, 2012, an individual named Sheri Breen sent a demand to Career Education, along with documents evidencing her ownership of the Company’s shares, which requested that the Company provide certain documents for inspection (the “Breen Demand”). On November 5, 2012, Plaintiff Alex filed a shareholder derivative complaint in the United States District Court for the Northern District of Illinois (“District Court”), alleging that Career Education had wrongfully refused his litigation demand dated May 15, 2012. The *Cook*, *Bangari*, and *Alex* Actions are collectively referred to herein as the “Actions”. On July 17, 2013, an individual named Stuart Glassberg sent a demand to the Board asking that the Company initiate certain litigation in the event that then-pending mediation efforts were unsuccessful (the “Glassberg Demand”) (the Lyons Demand, the Breen Demand and the Glassberg Demand are collectively referred to as the “Demands”).

The Actions alleged and the Demands asserted, among other things, that, since April 2007 and/or thereafter, certain individual defendants breached their fiduciary duties as directors

and/or officers of Career Education by causing the Company to violate federal and state law regarding the representations made by Career Education to the public and to students regarding student repayment rates and job placement, and by knowingly or recklessly failing to implement or maintain effective internal controls to ensure that the Company complied with applicable laws and regulations, including without limitation, Title IV of the Higher Education Act of 1965, 20 U.S.C. §§ 1070, *et seq.* The Actions also alleged and the Demands asserted that certain individual defendants breached their fiduciary duties by causing the Company to publish misleading statements regarding job placement rates and the adequacy of the Company's internal controls. The *Alex* Action also asserted a derivative claim under Section 10(b) of the Securities Exchange Act of 1934 and a claim of waste allegedly arising from repurchases of Company stock at prices certain individual defendants allegedly knew were artificially inflated by misleading statements and omissions. The Actions sought damages and injunctive relief.

1. The *Bangari* Action

On February 12, 2012, Career Education and certain individual defendants filed separate motions to dismiss the *Bangari* Action, arguing that Plaintiff Bangari had failed to adequately state a derivative claim and failed to allege demand futility, and a motion to stay the Action pending resolution of the related securities class action, *Ross v. Career Education, et al.*, No. 12 C 276 (N.D. Ill.) (the “Federal Securities Class Action”). The motions were fully briefed as of April 13, 2012. On August 21, 2012, the State Court respectfully denied the defendants’ motions to dismiss the *Bangari* Complaint, and stayed the action until January 31, 2013, without prejudice to the parties requesting reconsideration after further developments in the Federal Securities Class Action. Plaintiff Bangari moved to lift the stay on November 26, 2012, based upon the court’s order in the Federal Securities Class Action granting dismissal as to one former employee but otherwise denying the motion to dismiss the securities claims.

Thereafter, the *Bangari* Parties agreed to a mediation of the Actions. Accordingly, the defendants in the *Bangari* Action requested a stay of the briefing on Plaintiff Bangari's motion to lift the stay which Plaintiff Bangari did not oppose.

2. The Cook Action

On February 22, 2012, the first status conference was held in the *Cook* Action, at which the Court granted defendants' motion for an interim stay of the proceedings pending resolution of defendants' anticipated motions to dismiss. On March 16, 2012, Career Education and certain individual defendants moved to dismiss the *Cook* Complaint arguing that Plaintiff Cook had failed to adequately allege demand futility under Rule 23.1 of the Federal Rules of Civil Procedure. The named individual defendants also moved to dismiss under F.R.C.P. 12(b)(6), alleging that Plaintiff Cook had failed to adequately allege her claims. The motions were fully briefed on June 8, 2012. By Order dated August 13, 2012, the Court denied defendants' motions to dismiss the *Cook* Complaint. The Court held that Plaintiff Cook had alleged sufficient detailed facts to demonstrate that demand on the Board was futile based on the Board's alleged failure to act in the face of substantial known problems at Career Education. The Court also denied the named individual defendants' F.R.C.P. 12(b)(6) motion to dismiss.

The parties met and conferred on August 21, 2012 regarding discovery and scheduling issues. On August 22, 2012, Plaintiff Cook made her initial disclosures in compliance with Federal Rule of Civil Procedure 26(a)(1). On August 29, 2012, the parties submitted a Joint Report to the Court setting forth their respective positions regarding a discovery schedule and a case management plan. On August 29, 2012, Career Education and the named individual defendants also jointly moved to stay the *Cook* Action pending resolution of the Federal Securities Class Action. On September 3, 2012, Career Education and the named individual defendants jointly filed a supplemental brief stating that the Board had authorized the formation

of a Special Litigation Committee (“SLC”). Career Education and the named individual defendants also sought to stay the *Cook* Action pending an anticipated investigation by the proposed SLC. Plaintiff Cook opposed the motion to stay.

On September 19, 2012, the Court conducted a further status hearing in the *Cook* Action, at which it addressed discovery and scheduling issues with the parties. The Court set a hearing for November 14, 2012 to further discuss discovery issues and to hear defendants’ motion to stay. The Court instructed the parties to discuss any potential overlapping discovery between the *Cook* Action and the Federal Securities Class Action, and to submit a report on their discussions before the November 14, 2012 hearing.

On October 22, 2012, the named individual defendants answered the *Cook* Complaint denying each and all of its claims and asserting certain Affirmative Defenses. Also on October 22, 2012, Career Education filed its Answer to the *Cook* Complaint. On November 7, 2012, the parties filed a Joint Report on Discovery Issues outlining their respective positions regarding overlapping discovery between the *Cook* Action and the Federal Securities Class Action. On the same day, Career Education and the individual defendants provided their Rule 26(a)(1) initial disclosures.

As the November 14, 2012 hearing approached, counsel for Plaintiff Cook, Career Education and the individual defendants discussed a possible mediation. As discussed in further detail below, the parties to the Actions agreed to schedule a mediation. In light of the impending mediation, the parties agreed to request postponement of the November 14, 2012 hearing on the motion to stay, and the hearing subsequently has been rescheduled while the parties engaged in mediation.

3. The *Alex* Action

On May 15, 2012, Plaintiff Alex made a demand upon the Board to commence an investigation into alleged misconduct by certain Career Education officers and directors and to seek to recover damages and other relief through litigation, if necessary (the “Alex Demand”). On June 13, 2012, the Board informed Plaintiff Alex that the Board would currently take no action in response to the Alex Demand because the outcome of the motions to dismiss *Bangari* and *Cook* “could determine to what extent an investigation might be necessary.” On June 29, 2012, Plaintiff Alex's counsel wrote to the Board urging it to take action on the Alex Demand, arguing that the pending derivative actions had no bearing on the Board's duty to investigate and address the alleged wrongdoing. On July 6, 2012, the Board informed Plaintiff Alex that it continued to believe that any investigation of the issues raised in the Alex Demand would be premature.

On September 17, 2012, the Board informed Plaintiff Alex that it had authorized an SLC to investigate the issues raised in the Alex Demand. On November 5, 2012, Plaintiff Alex filed a Complaint in the District Court alleging that the Board resolution establishing the SLC only addressed the *Cook* and *Bangari* Actions, that the Board's failure to take appropriate action in response to the Alex Demand breached the Board's duty of care and amounted to a wrongful refusal that precluded the Board and its SLC from addressing Plaintiff Alex's claims. Subsequently, Plaintiff Alex was notified of pending efforts to engage in a mediation of the *Bangari* and *Cook* Actions. The parties agreed that Plaintiff Alex's claims should be addressed in the mediation, and stipulated to an extension of defendants' time to respond to the *Alex* Complaint.

4. The Shareholder Demands

On March 9, 2012 Lyons made his demand on the Board and Glassberg made his demand on July 17, 2013. The Demands alleged facts and claims similar to those alleged in the Actions, and the Demands asked the Board to investigate and to seek to recover damages and other relief through litigation, if necessary. On April 11, 2012, the Board informed Lyons that the Board would defer any action in response to the Lyons Demand until after the outcome of the motions to dismiss *Bangari* and *Cook*. On May 25, 2012, Lyons' counsel wrote to the Board urging it to take action on the Lyons Demand, arguing that the pending derivative actions had no bearing on the Board's duty to investigate and address the alleged wrongdoing. On June 7, 2012, the Board informed Lyons that it continued to believe that an investigation would be premature. On September 11, 2012, Lyons' counsel wrote again requesting that the Board act on Lyons' Demand. On September 17, 2012, the Board informed Lyons that it had authorized an SLC to investigate. On November 27, 2012, Lyons' counsel wrote to the Board noting that it had not actually appointed a SLC and Lyons had no confidence that a SLC would adequately investigate, pursue litigation, or implement meaningful corporate reforms. On December 7, 2012, the Board advised Lyons that it intended to engage in a mediation of the Actions, and the parties agreed that the Lyons Demand should be addressed, as well. The Glassberg Demand asked the Board to pursue similar claims as are asserted in the Actions, in the event the pending mediation efforts failed.

The Breen Demand sought books and records supporting certain facts underlying the facts and claims alleged in the Actions. The Company initially responded by explaining that the Demand was overly broad and failed to state a proper purpose under Delaware law. Following negotiations and a subsequent demand by Ms. Breen, a Confidentiality Agreement was executed on August 1, 2012, and beginning on August 29, 2012, Career Education began a rolling

production of documents, including Board minutes. On September 17, 2012, counsel for the Company notified Breen's counsel that the Board had formed a SLC to investigate, *inter alia*, issues raised in the Breen Demand. In response to the Company's request, Breen agreed to voluntarily suspend activity on her demand as a separate proceeding in light of the SLC investigation and anticipated mediation.

II. SETTLEMENT NEGOTIATIONS

Plaintiffs, the Demand Shareholders and Defendants (collectively referred to as the "Settling Parties") agreed to conduct a mediation and agreed to utilize the Hon. Daniel Weinstein (Ret.) of JAMS as a mediator (the "Mediator"). For purposes of the mediation, Career Education began a rolling production of documents to Plaintiffs Cook and Bangari (and thereafter produced, after the first mediation, the same documents to Plaintiff Alex and Demand Shareholders), consisting of approximately 22,000 pages of documents.

An in-person mediation was conducted in New York on January 10, 2013, and was attended by the parties. While the Settling Parties made some progress toward resolution of the Actions at the mediation, they were unable to reach an agreement to resolve the Actions. Subsequently, the Settling Parties exchanged further correspondence and participated in multiple telephonic conferences with each other and the Mediator regarding monetary relief for the Company and the corporate governance reforms the Company might consider adopting in connection with any settlement.

Despite such further efforts, the Settling Parties still had not reached a settlement. Accordingly, the Settling Parties agreed to attend a second day-long, in-person mediation before the Mediator, which was held on April 2, 2013. Substantial progress was made at the second mediation. As a result, on April 3, 2013, the Mediator sent a "mediator's proposal" to all parties which outlined the terms of an agreement, which, if accepted, would constitute an agreement to

settle the Actions (the “Mediator’s Proposal”). On May 24, 2013, the Company’s Board formed a special committee comprised of Louis Caldera and Ron McCray, two new independent directors (the “Special Committee”), for the purpose of conducting an independent inquiry with respect to the Mediator’s Proposal. The Board delegated to the Special Committee the full authority to take such actions as the Special Committee deemed appropriate and in the best interests of the Company and its shareholders regarding the proposed settlement of the Actions and Demands. The Special Committee was then apprised of the status of the settlement discussions to date including the claims asserted in the Actions and Demands, and certain preliminary discussions regarding proposed corporate governance terms.

For good cause shown, the Mediator extended the deadline to accept the Mediator’s Proposal several times throughout May and mid-June 2013. In the interim, on June 7, 2013, the Special Committee approved acceptance of the Mediator’s Proposal on behalf of the Company, pursuant to which Career Education’s D&O liability insurers (the “Carriers”) agreed to pay Career Education \$20 million, subject to the negotiation of acceptable corporate governance terms and other settlement-related documents. On June 12, 2013, the Mediator informed the Settling Parties that all parties had accepted the Mediator’s Proposal and that an agreement in principle to settle the Actions and Demands had been reached, subject to negotiation of corporate governance terms and court approval. On August 23, 2013, the Special Committee approved the final negotiated corporate governance terms set forth in Exhibit A. Thereafter, the Settling Parties reached an agreement to settle the Actions and Demands upon the terms and subject to the conditions set forth in this Stipulation (the “Settlement”).

III. PLAINTIFFS’ CLAIMS AND THE BENEFITS OF SETTLEMENT

Plaintiffs have engaged in substantial litigation efforts regarding the claims asserted in the Actions. Both Plaintiffs Cook and Bangari fully litigated motions to dismiss, which were

denied by the respective courts in those cases. In addition, motions to stay were litigated in both such cases and a motion to lift the stay is pending in the *Bangari* Action. In the *Cook* Action, the parties participated in a status conference and also exchanged initial disclosures pursuant to F.R.C.P. 26.

Plaintiffs' Counsel, and Demand Shareholders' Counsel,¹ have also conducted extensive investigations and legal analysis, including, *inter alia*: (i) reviewing Career Education's press releases, public statements, U.S. Securities and Exchange Commission ("SEC") filings and financial statements; (ii) reviewing securities analyst, business and financial media reports and advisories about the Company; (iii) researching and analyzing the applicable laws and regulations relevant to the claims and potential defenses; (iv) researching and analyzing the Company's internal controls, corporate governance policies, board and management oversight practices; (v) conducting extensive damages analyses; (vi) reviewing and analyzing 20,000 pages of documents produced by Defendants in preparation for the mediation; (vii) participating in two day-long in-person mediations on January 10, 2013 and April 2, 2013 and engaging in substantial follow-up negotiations and (viii) participating in numerous status conferences and hearings in the Actions.

Finally, Plaintiffs' Counsel and Demand Shareholders' Counsel reviewed and analyzed thousands of pages of additional documents produced from August to September 2013 in connection with confirmatory discovery to facilitate Plaintiffs' and Demand Shareholders' evaluation of the fairness and reasonableness of the Settlement.

Plaintiffs and Demand Shareholders believe that the Actions have substantial merit. Plaintiffs' and Demand Shareholders' entry into this Stipulation is not intended to be and shall

¹ Plaintiffs' Counsel take no position on what investigation Demand Shareholders' Counsel may have undertaken.

not be construed as an admission or concession concerning the relative strength or merit of the claims alleged in the Actions and Demands. Plaintiffs and Plaintiffs' Counsel recognize and acknowledge, however, the significant risk, expense, and length of continued proceedings necessary to prosecute the Actions against the Individual Defendants through trial and through possible appeals. Demand Shareholders and their Counsel also recognize and acknowledge the significant risk, expense, and length of the steps which would be necessary to initiate legal proceedings and litigate such proceedings should their Demands be denied by Defendants. Plaintiffs and Plaintiffs' Counsel and Demand Shareholders and Demand Shareholders' Counsel have also taken into account the uncertain outcome and the risk of any litigation, especially in complex cases such as the Actions, as well as the difficulties and delays inherent in such litigation. Plaintiffs' Counsel and Demand Shareholders' Counsel are also mindful of the inherent problems of proof and the possible defenses to the claims alleged in the Actions and Demands.

Based on Plaintiffs' Counsel's and Demand Shareholders' Counsel's thorough review and analysis of the relevant facts, allegations, defenses, and controlling legal principles, Plaintiffs' Counsel and Demand Shareholders' Counsel believe that the Settlement set forth in this Stipulation is fair, reasonable, and adequate, and confers substantial benefits upon Career Education and its shareholders. Based upon Plaintiffs' Counsel's and Demand Shareholders' Counsel's evaluation, Plaintiffs and Demand Shareholders have determined that the Settlement is in the best interests of Career Education and its shareholders and have agreed to settle the Actions and Demands upon the terms and subject to the conditions set forth herein.

IV. THE INDIVIDUAL DEFENDANTS' DENIALS OF WRONGDOING AND LIABILITY

The Individual Defendants have denied and continue to deny each and all of the claims alleged or asserted by Plaintiffs in the Actions and the Demands. The Individual Defendants

expressly have denied and continue to deny all charges of wrongdoing or liability against them arising out of any of the conduct, statements, acts or omissions alleged or asserted, or that could have been alleged or asserted, in the Actions and the Demands. The Individual Defendants also deny that they have committed, threatened, or attempted to commit, any violations of law, or breached any duty owed to Plaintiffs, Career Education, or its shareholders or that Plaintiffs, the Demand Shareholders, or the Company have suffered any damage and the allegations that the prices of Career Education publicly traded securities were artificially inflated by reasons of alleged misrepresentations, nondisclosures or otherwise. The Individual Defendants believe that the evidence developed to date supports their position that they acted properly and in full accord with their fiduciary duties at all times and that the Actions and Demands are without merit.

Without admitting the validity of any allegations made in the Actions and assertions made in the Demands, or any liability with respect thereto, the Individual Defendants have concluded that it is desirable that the claims against them be settled on the terms reflected in this Stipulation. The Individual Defendants are entering into this Settlement because it will eliminate the uncertainty, distraction, disruption, burden, risk, and expense of further litigation, particularly in light of the complexity of the allegations and multiple Actions asserted.

Neither this Stipulation, nor any of its terms or provisions, nor entry of the Judgment, nor any document or exhibit referred or attached to this Stipulation, nor any action taken to carry out this Stipulation, is, may be construed as, or may be used as evidence of the validity of any of the Released Claims, as defined below, or an admission by or against the Individual Defendants of any fault, wrongdoing, or concession of liability.

V. THE SPECIAL COMMITTEE'S REVIEW AND APPROVAL OF THE SETTLEMENT

Following the Board's formation and delegation to the Special Committee of full authority to take such actions as the Special Committee deemed appropriate and in the best

interests of the Company and its shareholders regarding settlement of the Actions and Demands, the Special Committee addressed the legal and factual basis of the claims and assertions made in the Actions and Demands, the status of discovery in the Actions, the potential defenses to the alleged claims and the potential impact on the Company should the Actions proceed and carefully reviewed the legal standards applicable to its review. The Special Committee also further engaged in an analysis of the claims alleged and assertions made against each named individual defendant including a review of the pleadings filed in the Actions, demands made, briefing and rulings on dismissal motions in the *Bangari* and *Cook* Actions and materials provided in connection with the mediation. The Special Committee additionally assessed the strength of the claims and assertions against the individual defendants and the potential benefits, obstacles, impact on the Company and recovery relating to a pursuit of any such claims by Career Education. The Special Committee also considered issues and potential benefits raised in connection with the proposals regarding corporate governance terms and reviewed those proposals before approving the final negotiated corporate governance terms set forth in Exhibit A on August 23, 2013. The Special Committee thereafter concluded that the Settlement is fair, reasonable, and adequate, confers substantial benefits upon Career Education and its shareholders, and is in the best interests of Career Education and its shareholders.

VI. TERMS OF STIPULATION AND AGREEMENT OF SETTLEMENT

NOW, THEREFORE, IT IS HEREBY STIPULATED AND AGREED by and among the undersigned counsel for the Settling Parties herein, in consideration of the benefits flowing to the parties from the Settlement, and subject to the approval of the Court pursuant to F.R.C.P. 23.1, that the claims asserted in the Actions and Demands shall be finally and fully compromised, settled, and released, and the Actions shall be dismissed with prejudice, upon and subject to the terms and conditions of the Stipulation, as set forth below.

1. Definitions

As used in the Stipulation, the following terms have the meanings specified below:

1.1 “Actions” means the shareholder derivative actions filed in the United States District Court for the Northern District of Illinois – *Cook v. McCullough, et al.*, Case No. 11 C 9119 (N.D. Ill.), and *Alex v. McCullough, et al.*, No. 12 C 8834 (N.D. Ill.); and the shareholder derivative action filed in Cook County, Illinois – *Bangari v. Lesnik, et al.*, No. 11 CH 41973 (Circuit Court of Cook County, Chancery Division).

1.2 “Career Education” or the “Company” means nominal defendant Career Education Corporation, a Delaware corporation, including, but not limited to, its predecessors, successors, controlling stockholders, partners, joint venturers, subsidiaries, affiliates, divisions and assigns.

1.3 “Court” means the court presiding over the *Cook* Action and the *Alex* Action – the United States District Court for the Northern District of Illinois, The Honorable John W. Darrah.

1.4 “Current Career Education Shareholders” means any Person who owned Career Education common stock as of the date of the execution of the Stipulation and who continues to hold such Career Education common stock as of the date of the Settlement Hearing, excluding the Individual Defendants, the officers and directors of Career Education, members of their immediate families, and their legal representatives, heirs, successors, or assigns, and any entity in which the Individual Defendants have or had a controlling interest.

1.5 “Defendants” means, collectively, nominal defendant Career Education and the Individual Defendants.

1.6 “Demands” means litigation and books and records demands upon the Board made by Gregory S. Lyons on March 9, 2012, by Sheri Breen on April 10, 2012, pursuant to 8 Del. C. § 220, and by Stuart Glassberg on July 13, 2013.

1.7 “Demand Shareholders” means Sheri Breen, Gregory S. Lyons, and Stuart Glassberg.

1.8 “Demand Shareholders' Counsel” means Federman & Sherwood and Levi & Korsinsky, LLP.

1.9 “Derivative Escrow Agent” means The Huntington National Bank.

1.10 “Derivative Escrow Account” means the escrow account to be maintained by the Derivative Escrow Agent, as set forth in Paragraph 3.1 herein.

1.11 “Effective Date” means the date by which the events and conditions specified in Paragraph 7.1 of the Stipulation have been met and have occurred.

1.12 “Federal Securities Class Action” means the action captioned *Ross v. Career Education, et al.*, No. 12 C 276, pending in the United States District Court for the Northern District of Illinois.

1.13 “Fee and Expense Amount” means the attorneys' fees and expenses not to exceed the amount of \$5 million, subject to approval by the Court.

1.14 “Final” means the date upon which the last of the following shall occur with respect to the Judgment finally approving the Settlement set forth in this Stipulation and dismissing the *Cook* and *Alex* Actions with prejudice, substantially in the form of Exhibit D attached hereto: (1) the expiration of the time to file a notice of appeal from the Judgment; (2) if an appeal has been filed, the court of appeals has either affirmed the Judgment or dismissed that appeal and the time for any reconsideration or further appellate review has passed; and (3) if a higher court has granted further appellate review, that court has either affirmed the underlying

Judgment or affirmed the court of appeals' decision affirming the Judgment or dismissing the appeal.

1.15 "Individual Defendants" means Steven H. Lesnik, Leslie T. Thornton, Dennis H. Chookaszian, David W. Devonshire, Patrick W. Gross, Gregory L. Jackson, Thomas B. Lally, Gary E. McCullough, Michael J. Graham, Brian R. Williams, Thomas G. Budlong, Thomas A. McNamara, Colleen O'Sullivan, George Grayeb and Edward Snyder.

1.16 "Judgment" means the Order and Final Judgment to be rendered by the Court, substantially in the form attached hereto as Exhibit D.

1.17 "Person" means an individual, corporation, limited liability corporation, professional corporation, partnership, limited partnership, limited liability partnership, association, joint stock company, estate, legal representative, trust, unincorporated association, government, or any political subdivision or agency thereof and any business or legal entity and their spouses, heirs, predecessors, successors, representatives, or assignees.

1.18 "Plaintiffs" means Amy Cook, Kharran Bangari, and Gregory Alex, individually and derivatively on behalf of nominal defendant Career Education.

1.19 "Plaintiffs' Counsel" means Bottini & Bottini, Inc., Harwood Feffer LLP, Robbins Arroyo LLP, Holzer Holzer & Fistel LLC, The Law Offices of Edward T. Joyce & Associates PC, Lasky & Rifkind, Ltd., and Miller Law LLC.

1.20 "Related Persons" means each of a Defendant's past or present agents, officers, directors, employees, attorneys, accountants, auditors, advisors, insurers, co-insurers, reinsurers, spouses, immediate family members, heirs, executors, personal and legal representatives, estates, administrators, trusts, predecessors, successors, and assigns or other individual or entity in which any Individual Defendant or Career Education has a controlling interest, and each and all of their respective past and present officers, directors, employees,

agents, affiliates, parents, subsidiaries, divisions, attorneys, accountants, auditors, advisors, insurers, co-insurers, re-insurers, heirs, executors, personal and legal representatives, estates, administrators, trusts, predecessors, successors, and assigns.

1.21 “Released Claims” shall collectively mean any and all claims for relief (including “Unknown Claims” as defined below), rights, demands, causes of action, liabilities, debts, obligations, matters, issues and suits of every nature and description whatsoever, including without limitation, claims for negligence, gross negligence, breach of duty of care and/or breach of duty of loyalty, fraud or breach of fiduciary duty, abuse of control or corporate waste, or violations of any state or federal statute, rule or regulation, whether known or unknown, contingent or absolute, matured or unmatured, discoverable or undiscoverable, whether or not concealed or hidden, whether based on federal, state, local, statutory, foreign or common law or any other law, rule, or regulation, including Unknown Claims, that have been alleged or asserted or could have been alleged or asserted in any pleading or forum by the Demand Shareholders or Plaintiffs, or any other shareholder of Career Education, individually or derivatively on behalf of Career Education against any Released Person arising from or relating to (1) the claims, facts, events, transactions, acts, disclosures, statements, alleged omissions or failures to act, or any other circumstance alleged, set forth or referred to by Plaintiffs or the Demand Shareholders in the Actions or the Demands, or (2) the settlement of the Actions and the Demands. Excluded from the term “Released Claims” are all claims, rights or causes of action or liabilities whatsoever related to the enforcement of the Settlement, including, without limitation, any of the terms of this Stipulation or orders or judgments issued by the courts in connection with this Settlement. Also excluded from the term “Released Claims” are all claims alleged in the Federal Securities Class Action.

1.22 “Released Persons” means collectively, each and all of the Defendants and their Related Persons. “Released Person” means, individually, any of the Released Persons.

1.23 “Releasing Parties” means Plaintiffs (both individually and derivatively on behalf of Career Education), the Demand Shareholders, any other Career Education shareholder (solely in his or her capacity as a Career Education shareholder), Plaintiffs' Counsel, and Demand Shareholders' Counsel. “Releasing Party” means, individually, any of the Releasing Parties.

1.24 “Settlement” means the settlement and compromise of the Actions and Demands as provided for in this Stipulation.

1.25 “Settlement Hearing” means the hearing or hearings at which the Court will review the adequacy, fairness, and reasonableness of the Settlement.

1.26 “Settling Parties” means, collectively, each and all of the Demand Shareholders, Plaintiffs (on behalf of themselves and derivatively on behalf of Career Education and its shareholders), and Defendants.

1.27 “Settling Party” means, individually, any of the Settling Parties.

1.28 “State Court” means the Cook County, Illinois Chancery Court before which the *Bangari* Action is pending.

1.29 “Unknown Claims” means any Released Claim(s) which Releasing Parties do not know of or suspect to exist in his, her, or its favor at the time of the release of the Released Persons including claims which, if known by him, her or it, might have affected his, her or its settlement with and release of the Released Persons or might have affected his, her or its decision whether to object to this settlement. With respect to any and all Released Claims, the Settling Parties stipulate and agree that, upon the Effective Date, the Settling Parties shall expressly waive, and each Current Career Education shareholder shall be deemed to have and by

operation of the Judgment shall have expressly waived, the provisions, rights and benefits conferred by or under California Civil Code § 1542, or any other law of the United States or any state or territory of the United States, or principle of common law, which is similar, comparable, or equivalent to § 1542, which provides:

A general release does not extend to claims which the creditor does not know or suspect to exist in his or her favor at the time of executing the release, which if known by him or her must have materially affected his or her settlement with the debtor.

The Settling Parties acknowledge that they and Current Career Education shareholders may hereafter discover facts in addition to or different from those now known or believed to be true by them, with respect to the subject matter of the Released Claims, but it is the intention of the Settling Parties that they and all Current Career Education shareholders shall be deemed to and by operation of the Judgment shall, completely, fully, finally, and forever compromise, settle, release, discharge, and extinguish any and all Released Claims, known or unknown, suspected or unsuspected, contingent or absolute, accrued or unaccrued, apparent or unapparent, which do now exist, or heretofore existed, or may hereafter exist, and without regard to the subsequent discovery of additional or different facts. The Settling Parties acknowledge that the foregoing waiver was separately bargained for and is a key element of the Stipulation of which this release is a part.

2. Terms of the Settlement

2.1 The benefits of the Settlement consist of a \$20 million cash payment (the “Monetary Payment”) and corporate governance changes.

2.2 Monetary Payment. Within fifteen (15) business days after preliminary approval of the Settlement, the Carriers shall deposit \$20 million (“Settlement Amount”) into a Derivative Escrow Account established for the settlement of the Actions and the Demands. The Carriers and Career Education have agreed that \$10 million from the Settlement Amount will be

used to fund any settlement or resolution of the Federal Securities Class Action. In the event preliminary approval of the settlement in the Federal Securities Class Action precedes preliminary approval of this Settlement, however, the Carriers shall deposit \$10 million into the Derivative Escrow Account within fifteen (15) business days after preliminary approval of such settlement, with the remaining \$10 million of the Settlement Amount to be deposited by the Carriers in the Derivative Escrow Account within fifteen (15) business days of preliminary approval of this Settlement. The Settlement Amount also will be used to pay the Fee and Expense Amount, or any portion thereof, and any costs of Notice, as provided in Paragraphs 3, 4 and 5. The Settlement Amount, less any amounts used to satisfy the Fee and Expense Amount and costs of Notice shall be released and paid to the Company upon entry of Judgment and the Judgment becoming Final in accordance with Paragraph 1.14.

2.3 Corporate Governance Changes. Career Education shall, within ninety (90) calendar days after Judgment becomes Final, implement the corporate governance terms set forth in Exhibit A attached hereto (unless such terms shall have already been implemented), and such terms shall be maintained for a period of no less than four (4) years from the date of implementation, subject to the terms and conditions set forth in Exhibit A.

3. Derivative Escrow

3.1 The Derivative Escrow Agent shall invest amount(s) deposited in the Derivative Escrow Account on behalf of Career Education pursuant to Paragraph 2 hereof in short term United States Agency or Treasury Securities or other instruments backed by the Full Faith & Credit of the United States Government or an Agency thereof, or fully insured by the United States Government or an Agency thereof, and shall reinvest the proceeds of these instruments as they mature in similar instruments at their then-current market rates. All risks related to the investment of funds in the Derivative Escrow Account in accordance with the

investment guidelines set forth in this Paragraph shall be borne by the Derivative Escrow Account.

3.2 The Derivative Escrow Agent shall not disburse any funds in the Derivative Escrow Account, except (i) as provided in the Stipulation pursuant to Paragraphs 3.4(a)-(c), 3.5, 4.4, 4.5, 5.1 and 5.3; or (ii) or by an order of the Court.

3.3 Subject to further order(s) and/or directions as may be made by the Court, or as provided in the Stipulation, the Derivative Escrow Agent is authorized to execute such transactions as are consistent with the terms of the Stipulation.

3.4 All funds held by the Derivative Escrow Agent in the Derivative Escrow Account shall be deemed and considered to be *in custodia legis* of the Court, and shall remain subject to the jurisdiction of the Court, until such time as such funds shall be distributed as provided in the Stipulation pursuant to Paragraphs 3.4(a)-(c), 3.5, 4.4-4.5, 5.1 and 5.3 and/or further order(s) of the Court.

3.4(a) The Settling Parties and the Derivative Escrow Agent agree to treat the funds in the Derivative Escrow Account as being at all times a “qualified settlement fund” within the meaning of Treas. Reg. § 1.468B-1. In addition, the Derivative Escrow Agent shall timely make such elections as necessary or advisable to carry out the provisions of this paragraph, including making the “relation-back election” (as defined in Treas. Reg. § 1.468B-1) back to the earliest permitted date. Such elections shall be made in compliance with the procedures and requirements contained in such regulations. It shall be the responsibility of the Derivative Escrow Agent to timely and properly prepare and deliver the necessary documentation for signature by all necessary parties, and thereafter to cause the appropriate filing to occur.

3.4(b) For the purpose of § 1.468B of the Internal Revenue Code of 1986, as amended, and the regulations promulgated thereunder, the “administrator” of the Derivative

Escrow Account shall be the Derivative Escrow Agent. The Derivative Escrow Agent shall timely and properly file all informational and other tax returns necessary or advisable with respect to the funds in the Derivative Escrow Account (including without limitation the returns described in Treas. Reg. § 1.468B-2(k)). Such returns (as well as the election described in ¶ 3.4(a) hereof) shall be consistent with ¶ 3.4 and in all events shall reflect that all Taxes (including any estimated Taxes, interest or penalties) on the income earned by the funds in the Derivative Escrow Account shall be paid out of the Derivative Escrow Account or by the Company as provided in ¶ 3.4(c) hereof.

3.4(c) All (i) Taxes (including any estimated Taxes, interest or penalties) arising with respect to the income earned by funds in the Derivative Escrow Account (“Taxes”), and (ii) expenses and costs incurred in connection with the operation and implementation of ¶ 3.4 (including, without limitation, expenses of tax attorneys and/or accountants and mailing and distribution costs and expenses relating to filing the returns described in ¶ 3.4) (“Tax Expenses”), shall be paid out of the Derivative Escrow Account or, if the Derivative Escrow Agent is not yet permitted to release funds from the Derivative Escrow Account to pay such expenses, then such expenses shall be paid by the Company, which may thereafter be reimbursed by the Derivative Escrow Agent if and when the Derivative Escrow Agent is later permitted to release funds from the Derivative Escrow Account. The Derivative Escrow Agent shall indemnify and hold harmless each of the Settling Parties and their Related Parties for Taxes and Tax Expenses (including, without limitation, Taxes payable by reason of any such indemnification). Further, Taxes and Tax Expenses shall be timely paid by the Derivative Escrow Agent out of the funds in the Derivative Escrow Account without prior order from the Court so long as the Derivative Escrow Agent is generally permitted to release funds pursuant to this Stipulation. If the Derivative Escrow Agent is not yet permitted to release funds from the Derivative Escrow

Account, then the Company shall pay such Taxes and Tax Expenses, and the Company may thereafter be reimbursed by the Derivative Escrow Agent if and when the Derivative Escrow Agent is later permitted to release funds from the Derivative Escrow Account. The Settling Parties agree to cooperate with the Derivative Escrow Agent, each other, and their tax attorneys and accountants to the extent reasonably necessary to carry out the provisions of this Paragraph. However, the Settling Parties shall not have any responsibility or liability for any acts or omissions of the Derivative Escrow Agent or its agents with respect to the obligations and duties of the Derivative Escrow Agent as described herein.

3.5 Any administrative costs incurred in connection with the management of the Derivative Escrow Account shall be paid by the Derivative Escrow Agent so long as it is permitted to release funds from the Derivative Escrow Account. If the Derivative Escrow Agent is not yet permitted to release funds from the Derivative Escrow Account, then the Company shall pay all such administrative costs, and the Company may thereafter be reimbursed by the Derivative Escrow Agent if and when the Derivative Escrow Agent is later permitted to release funds from the Derivative Escrow Account.

4. Approval and Notice

4.1 Promptly after execution of the Stipulation, Plaintiffs shall submit the Stipulation, together with its exhibits, to the Court and shall apply for entry of an order (the "Preliminary Approval Order"), substantially in the form of Exhibit B attached hereto, requesting: (i) preliminary approval of the Settlement set forth in the Stipulation; (ii) approval of the form and manner of providing notice of the Settlement to Current Career Education Shareholders; and (iii) a date for the Settlement Hearing.

4.2 Within five (5) business days after filing of the Stipulation and application for entry of the Preliminary Approval Order with the Court, counsel for Plaintiff Bangari shall

file an Agreed Order with the State Court stating that: (i) the case has been settled; (ii) the motion for preliminary approval and notice have been filed in the Court; (iii) upon entry of the Judgment by the Court, the parties will file an Agreed Motion for Voluntary Dismissal with Prejudice of the State Action; and (iv) the stay of proceedings in the State Court by Order entered August 28, 2012 will continue unless and until (subject to ¶ 7.1) the Stipulation is in any way cancelled or terminated. Within five (5) business days after filing of the Stipulation and application for entry of the Preliminary Approval Order with the Court, Plaintiff Bangari will execute an Agreed Motion for Voluntary Dismissal with Prejudice and Proposed Agreed Order substantially in the form attached as Exhibit E hereto and shall deliver to counsel for Career Education such Agreed Motion for Voluntary Dismissal and Proposed Agreed Order. Career Education shall hold such Motion and Proposed Agreed Order and file them in the State Court only after entry of the Judgment by the Court. Plaintiff Bangari agrees to use his best efforts and to take any and all actions reasonably necessary to ensure the entry of the Proposed Agreed Order dismissing the *Bangari* Action with prejudice or otherwise facilitate, effectuate, and ensure the dismissal with prejudice of the *Bangari* Action, including without limitation executing any motion, notice or other filing that is required or requested by the State Court, in accordance with, and subject to, this Paragraph.

4.3 Notice to Current Career Education Shareholders shall consist of a Notice of Pendency and Proposed Settlement of Shareholder Derivative Actions (“Notice”), which includes the general terms of the Settlement set forth in the Stipulation and the date of the Settlement Hearing, substantially in the form attached hereto as Exhibit C.

4.4 Within fifteen (15) calendar days after entry of the Preliminary Approval Order, (i) Career Education shall cause the Notice to be published once in the *Investor Business Daily*, the costs of which Notice shall be paid from the Settlement Amount; (ii) Bottini & Bottini,

Inc., Harwood Feffer LLP, and Robbins Arroyo LLP shall post copies of the Notice and Stipulation on their respective websites; (iii) Career Education shall post a copy of the Notice and Stipulation on the Company's Investor Relations page of its website; and (iv) Career Education shall file a Form 8-K with the SEC that includes the Notice, which shall refer shareholders to the Investor Relations page of Career Education's website for more information, until the Judgment is entered.

4.5 If additional notice is required by the Court, then any costs incurred in connection with such additional notice shall be paid from the Settlement Amount. The Settling Parties believe the content and manner of the Notice, as set forth in this Paragraph, constitutes adequate and reasonable notice to Current Career Education Shareholders pursuant to applicable law and due process. Not less than fifteen (15) calendar days before the Settlement Hearing, counsel for Plaintiffs and Career Education shall serve each other and file with the Court an appropriate affidavit or declaration with respect to the publication and posting of the Notice.

4.6 Pending the Court's determination as to final approval of the Settlement, Plaintiffs and the Demand Shareholders, and their counsel, and all other persons are barred and enjoined from commencing, prosecuting, instigating, or in any way participating in the commencement or prosecution of any action asserting any Released Claim against any of the Released Persons.

5. Attorneys' Fees and Reimbursement of Expenses

5.1 As consideration for the substantial benefits conferred upon Career Education as a direct result of the Settlement, the Fee and Expense Amount shall be paid to counsel for Plaintiffs and the Demand Shareholders from the Derivative Escrow Account, subject to Court approval. The Settling Parties did not discuss the amount of attorneys' fees and expenses before reaching agreement on all material substantive terms of the Settlement. The Fee

and Expense Amount shall constitute final and complete payment for Plaintiffs' and the Demand Shareholders' attorneys' fees and expenses that have been incurred or will be incurred in connection with any claims asserted, or which could have been asserted, in the Actions or the Demands, or any other proceeding or any Released Claims. Only Plaintiffs' Counsel and Demand Shareholders' Counsel shall be entitled to share in the Fee and Expense Amount, and any application for any fees or expenses by any other person or attorney claiming entitlement to such must be brought exclusively in the Court. The Fee and Expense Amount shall be paid by the Derivative Escrow Agent from the Derivative Escrow Account to a joint-signature account established by Bottini & Bottini, Inc., Harwood Feffer LLP, and Robbins Arroyo LLP within ten (10) business days of entry of the Judgment. The Fee and Expense Amount shall be allocated among Plaintiffs' Counsel and Demand Shareholders' Counsel as agreed by Plaintiffs' Counsel and Demand Shareholders' Counsel or, if necessary, as finally determined by the Mediator. Plaintiffs' Counsel and Demand Shareholders' Counsel, as a condition of receiving any part of the Fee and Expense Amount, agree that Plaintiffs' Counsel and Demand Shareholders' Counsel and their partners and/or shareholders are subject to the jurisdiction of this Court for the purpose of enforcing the provisions of this Paragraph. Defendants have no responsibility for, and no liability whatsoever with respect to, the allocation of the Fee and Expense Amount among Plaintiffs' Counsel and Demand Shareholders' Counsel and/or to any other Person who may assert some claim thereto.

5.2 In the event that the Effective Date does not occur, or the order making the Fee and Expense Amount is reversed or modified, or the Stipulation is canceled or terminated for any other reason, and in the event that the Fee and Expense Amount has been paid to any extent, then Plaintiffs' Counsel and Demand Shareholders' Counsel who have received any portion of the Fee and Expense Amount shall, within fifteen (15) business days from receiving notice from

Defendants' counsel or from a court of appropriate jurisdiction, refund and return such fees and expenses previously paid to them to the Derivative Escrow Account plus interest thereon at the same rate as earned in the Derivative Escrow Account in an amount consistent with such reversal or modification. Each such Plaintiffs' Counsel's or Demand Shareholders' Counsel's law firm receiving fees and expenses, as a condition of receiving such fees and expenses, on behalf of itself and each partner and/or shareholder of it, agrees that the law firm and its partners and/or shareholders are subject to the jurisdiction of the Court for the purpose of enforcing the provisions of this Paragraph.

5.3 In the event that the Effective Date does not occur, or the Stipulation is cancelled or terminated for any reason, the Derivative Escrow Agent shall return to the Carriers the monies in the Derivative Escrow Account. In the event the order approving the Fee and Expense Amount is reversed and/or modified downward, then the Derivative Escrow Agent shall pay to Career Education the fees and expenses refunded and/or returned by Plaintiffs' Counsel and Demand Shareholders' Counsel.

5.4 Except as expressly provided herein, the parties shall bear their own fees, costs and expenses.

5.5 Plaintiffs' Counsel may apply to the Court for an aggregate service award of up to \$15,000, with the amount awarded to be split equally between Plaintiffs Cook, Bangari, and Alex, only to be paid upon Court approval, in recognition of their participation and efforts in the prosecution of the Actions (the "Service Awards"). The Service Awards, if approved by the Court, shall be paid to Plaintiffs out of the Fee and Expense Amount. Defendants shall not be liable for any portion of any Service Award.

6. Releases

6.1 Upon the Effective Date, the Releasing Parties shall be deemed to have fully, finally, and forever released, relinquished, and discharged the Released Claims (including Unknown Claims) against the Released Persons and any and all claims arising out of, relating to, or in connection with the defense, settlement, or resolution of the Actions and Demands against the Released Persons. Nothing herein shall in any way impair or restrict the rights of any Settling Party to enforce the terms of the Stipulation.

6.2 Upon the Effective Date, each of the Defendants and their Related Persons shall be deemed to have fully, finally, and forever released, relinquished, and discharged Plaintiffs, the Demand Shareholders, Plaintiffs' Counsel, and the Demand Shareholders' Counsel from all claims (including Unknown Claims), arising out of, relating to, or in connection with the institution, prosecution, assertion, settlement, or resolution of the Actions and Demands or the Released Claims. Nothing herein shall in any way impair or restrict the rights of any Settling Party to enforce the terms of the Stipulation.

6.3 Upon entry of the Judgment, the Demands shall be deemed withdrawn without requiring further action by any of the Settling Parties to effectuate the Demands' withdrawal.

7. Conditions of Settlement; Effect of Disapproval, Cancellation, or Termination

7.1 The Effective Date of this Stipulation shall be conditioned on the occurrence of all of the following events:

(a) preliminary approval of the Settlement and approval of the method of providing the Notice to Current Career Education Shareholders by the Court;

(b) dissemination of the Notice to Current Career Education Shareholders, as set forth in Paragraphs 4.3-4.5;

(c) entry of the Judgment, in all material respects in the form set forth as Exhibit D annexed hereto, approving the Settlement without awarding costs to any party, except as provided herein;

(d) the payment of the Fee and Expense Amount;

(e) dismissal with prejudice of the *Bangari* Action in State Court (the “*Bangari* Judgment”) and expiration of the time to file a notice of appeal from the *Bangari* Judgment or, if any appeal has been filed, a final affirmation by the relevant court of review affirming the *Bangari* Judgment; and

(f) the Judgment becoming Final, as defined in Paragraph 1.14.

7.2 If any of the conditions specified above in Paragraph 7.1 are not met, then the Stipulation shall be canceled and terminated subject to Paragraph 7.3, unless counsel for the Settling Parties mutually agree in writing to proceed with the Stipulation. The failure of the Court to approve the Fee and Expense Amount or the Service Awards, in whole or in part, shall have no effect on the Settlement set forth in the Stipulation.

7.3 If for any reason the Effective Date of the Stipulation does not occur, or if the Stipulation is in any way canceled, terminated, or fails to become Final in accordance with its terms: (a) all Settling Parties and Released Persons shall be restored to their respective positions in the Actions as of the date of the execution of this Stipulation; (b) all releases delivered in connection with the Stipulation shall be null and void, except as otherwise provided for in the Stipulation; (c) any portion of the Fee and Expense Amount that has been paid to Plaintiffs' Counsel and Demand Shareholders' Counsel shall be refunded and returned to the Derivative Escrow Account within fifteen (15) business days, as provided in Paragraph 5.2; (d) the Company shall refund and return to the Derivative Escrow Account within fifteen (15) business days any and all amounts received by it from the Derivative Escrow Account, and the Derivative

Escrow Agent shall return such amounts to the Carriers; and (e) all negotiations, proceedings, documents prepared, and statements made in connection herewith shall be without prejudice to the Settling Parties, shall not be deemed or construed to be an admission by a Settling Party of any act, matter, or proposition, and shall not be used in any manner for any purpose in any subsequent proceeding in any other action or proceeding. In such event, the terms and provisions of the Stipulation shall have no further force and effect with respect to the Settling Parties and shall not be used in the Actions or in any other proceeding for any purpose.

8. Bankruptcy

8.1 In the event any proceedings by or on behalf of Career Education, whether voluntary or involuntary, are initiated under any chapter of the United States Bankruptcy Code, including any act of receivership, asset seizure, or similar federal or state law action (“Bankruptcy Proceedings”), the Settling Parties agree to use their reasonable best efforts to obtain all necessary orders, consents, releases, and approvals for effectuation of the Stipulation and court approval of the Settlement in a timely and expeditious manner. By way of example only, the Settling Parties agree to cooperate in making applications and motions to the bankruptcy court for relief from any stay, approval of the Settlement, authority to release funds, authority for the Carriers to disburse insurance proceeds consistent with the Stipulation, authority to release claims and indemnify officers and directors, and authority for the Court to enter all necessary orders and judgments, and any other actions reasonably necessary to effectuate the terms of the Settlement.

8.2 If any Bankruptcy Proceedings by or on behalf of Career Education are initiated prior to the payment of the Fee and Expense Amount, the Settling Parties shall agree to seek an order from the bankruptcy court presiding over such Bankruptcy Proceedings: (i) either lifting the automatic stay for the limited purpose of authorizing such payment, or finding that the

payment of the Fee and Expense Amount by the Carriers under their respective policies or related compromise of coverage does not violate the automatic stay; and (ii) finding that the payment of the Fee and Expense Amount from the Derivative Escrow Account does not constitute a preference, voidable transfer, fraudulent transfer, or similar transaction. In addition, in the event of any Bankruptcy Proceedings by or on behalf of Career Education, the Settling Parties agree that all dates, deadlines and requests for relief in the Actions and Demands, if any, or any dates, deadlines and requests for relief associated with the appeal of the Actions, if any, will be extended for such periods of time as are necessary to obtain necessary orders, consents, releases, and approvals from the bankruptcy court to carry out the terms and conditions of the Settlement.

9. Miscellaneous Provisions

9.1 The Settling Parties: (i) acknowledge that it is their intent to consummate this Stipulation; and (ii) agree to act in good faith and cooperate to take all reasonable and necessary steps to expeditiously implement the terms and conditions of the Stipulation.

9.2 In the event that any part of the Settlement is found to be unlawful, void, unconscionable, or against public policy by a court of competent jurisdiction, the remaining terms and conditions of the Settlement shall remain intact.

9.3 The Settling Parties intend this Settlement to be a final and complete resolution of all disputes between them with respect to the Actions and Demands. The Settlement comprises claims that are contested and shall not be deemed an admission by any Settling Party as to the merits of any claim, allegation, or defense. The Settling Parties and their respective counsel agree that at all times during the course of the litigation, each has complied with the requirements of the applicable laws and rules of the Court, including, without limitation, Federal Rule of Civil Procedure 11 and Illinois Code of Civil Procedure § 5/2-605.

9.4 The Stipulation may be modified or amended only by a writing signed by the signatories hereto.

9.5 The Stipulation shall be deemed drafted equally by all parties hereto.

9.6 No representations, warranties, or inducements have been made to any of the parties concerning the Stipulation or its exhibits other than the representations, warranties, and covenants contained and memorialized in such documents.

9.7 Each counsel or other Person executing the Stipulation or its exhibits on behalf of any of the Settling Parties hereby warrants that such Person has the full authority to do so.

9.8 The Exhibits to this Stipulation are material and integral parts hereof and are fully incorporated herein by this reference.

9.9 This Stipulation and the exhibits attached hereto constitute the entire agreement among the Settling Parties with respect to the subject matter hereof and supersede all prior and contemporaneous oral and written agreements and discussions.

9.10 In the event that there exists a conflict or inconsistency between the terms of this Stipulation and the terms of any exhibit hereto, the terms of this Stipulation shall prevail.

9.11 The Stipulation may be executed in one or more counterparts, including by signature transmitted by facsimile or e-mailed .pdf files. Each counterpart, when so executed, shall be deemed to be an original, and all such counterparts together shall constitute the same instrument.

9.12 The Stipulation shall be considered to have been negotiated, executed and delivered, and to be wholly performed, in the State of Delaware, and the rights and obligations of the parties to the Stipulation shall be construed and enforced in accordance with, and governed

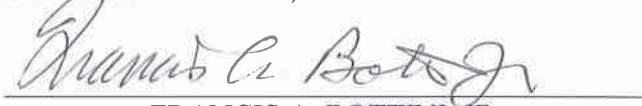
by, the internal, substantive laws of the State of Delaware without giving effect to that State's choice of law principles.

9.13 The Court shall retain jurisdiction with respect to implementation and enforcement of the terms of the Stipulation, and the Settling Parties and their counsel submit to the jurisdiction of the Court solely for purposes of implementing and enforcing the Settlement embodied in the Stipulation.

IN WITNESS WHEREOF, the Settling Parties have caused the Stipulation to be executed by their duly authorized attorneys.

DATED: October 25, 2013

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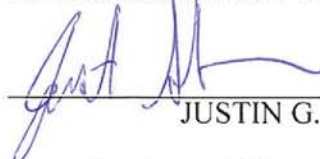
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