

**Capella Education Company
Code of Business Conduct**

COMPLIANCE WITH LAWS AND ETHICAL STANDARDS

Capella conducts its business in strict compliance with applicable laws, rules and regulations, with honesty and integrity, and with a strong commitment to the highest ethical standards. All Capella directors, officers and employees will perform their Capella duties in compliance with all applicable laws, rules and regulations of the governmental authorities that have jurisdiction over Capella operations. Capella management will not cause directors, officers, employees or others to take any action on behalf of Capella that would result in the violation of any law, rule, regulation or ethical standard.

Capella expects its directors, officers and employees to deal fairly with Capella's learners, suppliers, competitors, their employees and the public. Capella directors, officers and employees should not take unfair advantage of anyone through manipulation, concealment, abuse of privileged information, misrepresentation of material facts or any other unfair dealing practice. Directors, officers and employees must not take any action that would injure Capella's business or reputation.

Any director, officer or employee who has questions about the legality or propriety of a proposed course of action should consult with his or her supervisor. (For purposes of this Code of Business Conduct, a director's "supervisor" shall be deemed to be the Chairman of the Governance Committee. When and where necessary, the Chairman of the Governance Committee will refer a matter to the full Board for consideration.) If a director's, officer's or employee's consultation with the supervisor does not resolve the matter satisfactorily, or if under the circumstances consultation with the supervisor is not appropriate, the director, officer or employee should consult Capella's General Counsel or Vice President Human Resources.

POLICY WAIVERS

Except as otherwise specifically provided herein, waivers from policies described herein for actions of executive officers or directors of Capella may be made only by the Board of Directors; waivers for faculty members may be made only by the President or the Senior Vice President of Capella University; and waivers for all other covered persons may be made only by the Capella Vice President of Human Resources or the Capella General Counsel. If Capella securities are traded publicly, any amendment to or waiver of this Code of Business Conduct that applies to a director, executive officer, principal accounting officer, controller or other employee performing similar functions, will be publicly disclosed as required by applicable law, regulation or exchange or market rules.

CONFLICTS OF INTEREST

All directors, officers and employees must avoid conflicts of interest that have not been approved in advance and in writing by the supervisor of the director, officer or employee. The concept of a conflict of interest involves not only legal considerations,

but moral and ethical principles as well. Generally, a conflict of interests exists when a director, officer or employee engages in activities or has a personal interest that interferes with the performance of his or her duties to Capella or that affects, or appears to affect, the director's, officer's or employee's ability to act in the best interests of Capella. Directors, officers and employees must avoid not only actual conflicts of interest, but also those circumstances that create the appearance of a conflict.

It is impossible to list every situation in which an actual or apparent conflict of interest could exist. The following are examples of activities that are considered conflicts of interest and are prohibited, unless specifically approved in advance and in writing:

1. Competing directly or indirectly with Capella.
2. Having a direct or indirect financial interest in competitors, suppliers or customers, except owning publicly-traded securities where the person's percentage of ownership is less than 1%.
3. Serving as an employee, consultant, officer or director for a competitor or receiving income from a competitor, except for certain teaching activities discussed below.
4. Serving as a director, officer, employee or consultant of, or receiving income from, any person or organization that the director, officer or employee knows, or reasonably should know, does business with Capella, or that the director, officer or employee knows, or reasonably should know, is seeking to do business with Capella as a supplier, customer, learner or otherwise; provided, however, that arms-length transactions between directors, officers or employees of Capella, and organizations or persons doing or seeking to do business with Capella, are not deemed conflicts of interest for purposes of this Code.
5. Substantial use of Capella assets (including Capella's name, information, or facilities) for non-Capella purposes.
6. Engaging in any non-Capella employment or consulting work that prevents the director, officer or employee from performing satisfactorily his or her Capella responsibilities.
7. Accepting gifts or loans from a person or an organization that does business with Capella or seeks to do so, except as permitted by the section entitled "Gifts and Loans" below.

For the purposes of this section, "competitor" means any person, corporation, not-for-profit organization or other entity that provides, develops, sells or markets on-line, credit-granting educational products or services in any country in which Capella did business or had customers or learners at any time during the immediately preceding twelve months. In the case of a not-for-profit or publicly-funded organization that provides, develops, sells or markets on-line, credit-granting educational products or services within or from a distinct, separate division or unit of the organization (the "On-

Line Unit”), and also provides, develops, sells or markets credit-granting educational products or services through other means within other distinct, separate divisions or units, the term “competitor” must be limited to the On-Line Unit, and must not apply to the organization as a whole.

Capella University core faculty members may hold adjunct teaching positions at other educational institutions so long as they do not teach more than one course per quarter or semester at the other institution. Capella core faculty and other employees may not hold core faculty, administrative or leadership positions at other educational institutions. These restrictions do not apply to Capella University adjunct faculty members; adjunct faculty members may hold positions at other educational institutions.

PUBLIC DISCLOSURE

It is Capella’s policy that, if Capella is subject to the reporting requirements of the Securities Exchange Act of 1934, the information in its public communications, including filings with the United States Securities and Exchange Commission, shall be full, fair, accurate, timely and understandable. All covered persons who are involved in Capella’s disclosure process are responsible for acting in furtherance of this policy. In particular, these individuals are required to maintain familiarity with the disclosure requirements applicable to Capella and are prohibited from knowingly misrepresenting, omitting or causing others to misrepresent or omit material facts about Capella to others, whether within or outside Capella, including Capella’s independent auditors. In addition, any covered person who has a supervisory role in Capella’s disclosure process has an obligation to discharge his or her responsibilities diligently.

CORPORATE OPPORTUNITIES

Directors, officers and employees must not take for themselves personally any business opportunities that are discovered through use of corporate property, information or the director’s, officer’s or employee’s position with Capella. Directors, officers and employees of Capella owe a duty to Capella to advance Capella’s legitimate business interests when the opportunity to do so arises.

CAPELLA PROPERTY AND OTHER ASSETS

All directors, officers and employees have an obligation to protect the assets of Capella. The assets of Capella must be used for lawful purposes in furtherance of the business interests of Capella. Directors, officers and employees must not use Capella property, information or their position with Capella for personal gain. Non-incident use of Capella assets for purposes other than conducting Capella business is forbidden.

Directors, officers and employees must not establish any undisclosed or unrecorded fund or asset for any purpose. They must not make false entries in the books and records of Capella for any reason.

All documents submitted in support of a request for payment by Capella must state the purpose of the payment accurately and completely, and payments made by Capella

must be used solely for the purpose described on the supporting documents. Expenses may not be charged to Capella unless they are for Capella business purposes and comply with Capella expense policies.

GIFTS AND LOANS

Capella will not extend a loan (including a guarantee of any obligation) to any director, officer, employee or any family member of a director, officer or employee, except loans to employees who are not officers or directors under the terms of Capella's relocation policy or employee investment plans.

No director, officer or employee may offer or provide any gift, loan or other personal benefit (such as trips, meals, or entertainment) of any size to any employee of any governmental agency.

Except as provided in this section, no director, officer or employee may offer or provide a gift, loan or other personal benefit (such as trips or excessive or inappropriate meals or entertainment) to any current or potential customer, learner, supplier or financing source. This policy does not preclude offering gifts of nominal value, meals or entertainment of reasonable value, or invitations to conferences or other events related to the business of Capella or of the other person or organization, so long as the other person is not an employee of any government agency, if they meet general standards of ethical business conduct, involve no concealment, and are offered and accepted in a manner that creates no obligation. Generally, a gift worth more than \$50 would be considered not to be nominal and, therefore, would be outside what is permitted by this policy.

No director, officer or employee may solicit or request a gift, a loan or any other personal benefit (such as trips, meals or entertainment) of any size from any person or organization that does business with Capella (as customer, learner, supplier, financing source or otherwise) or that seeks to do business with Capella. However, as part of a charity or public service program sponsored by Capella, directors, officers and employees may solicit contributions to or participation in that program from such persons or organizations.

Except as provided in this section, no director, officer or employee may accept a gift, loan or other personal benefit (such as trips or excessive, frequent, or inappropriate meals or entertainment) from any person or organization that does business with Capella (as customer, learner, vendor, financing source, or otherwise) or that seeks to do business with Capella. This policy does not preclude accepting gifts of nominal value, infrequent meals or entertainment of reasonable value, or invitations to conferences or other events related to the business of Capella or of the other person or organization if they meet general standards of ethical business conduct, involve no concealment, and are offered and accepted in a manner that creates no obligation. Generally, a gift worth more than \$50 would be considered not to be nominal and, therefore, would be outside what is permitted by this policy. Generally, a single meal or entertainment event costing more than \$100 would be outside what is permitted by this

policy. In addition, during a single calendar year, a director, officer or employee generally should not accept multiple meals and entertainment events from any source or combination of sources covered by this paragraph that cost a total of more than \$500.

The provisions of this section do not apply to gifts and loans made by an individual to another individual on a purely personal level and unrelated to the business of Capella.

POLITICAL CONTRIBUTIONS

All directors, officers and employees are encouraged to participate in political activities on their own behalf, on their own time and in their own way. No Capella funds or other assets are to be contributed or loaned, directly or indirectly, to any political party or to the campaign of any person for political office. Directors, officers and employees may not seek reimbursement from Capella as a business expense for any contributions to, or expenses incurred in support of, any political party or campaign.

CONFIDENTIAL INFORMATION

Capella Confidential Information. Except as required for a director's, officer's or employee's duties for Capella, directors, officers and employees must not, either during their service to or employment by Capella or at any time thereafter, use or disclose to any person any Capella Confidential Information (as defined below) for any purpose. Directors, officers and employees must follow all procedures and policies adopted by Capella from time to time regarding the treatment and protection of Capella Confidential Information. For purposes of this paragraph, "Capella Confidential Information" means information proprietary to Capella and not generally known (including trade secret information) about Capella's business, customers, learners, products, services, personnel, pricing, sales strategy, marketing efforts, technology, methods, processes, research, development, finances, systems, software, techniques, accounting, purchasing, business strategies and plans. All information disclosed to a director, officer or employee or to which he or she obtains access during his or her service to or employment by Capella, whether originated by that director, officer or employee or by others, is presumed to be Capella Confidential Information if it is treated by Capella as being confidential, or if the director, officer or employee has a reasonable basis to believe it to be Capella Confidential Information.

Learner Confidential Information. Capella and its officers, directors and employees are subject to strict rules governing the disclosure of information about learners outside of Capella or within the organization. Directors, officers and employees must comply with these rules. Employees who receive a request for information about learners should contact the Registrar before responding to the request. Directors, officers and employees who are learners must not access their own learner records except through the appropriate channels as any other learner, through the Registrar's office.

Confidential Information of Others. Unless Capella has obtained written authority from the owner, the receipt, appropriation, possession, use or retention of materials or

information in any form (oral, written, electronic, or otherwise) that is the confidential, proprietary, or trade secret property of another organization or person is prohibited. Any exceptions to this policy must be approved in writing in advance by the CEO or his or her designee.

INTELLECTUAL PROPERTY

Patents, trademarks, copyrights, trade secrets and other forms of intellectual property are valuable assets of Capella, and all directors, officers and employees must protect them and assist Capella in securing and maintaining patents or registrations for them and enforcing such rights. See "Confidential Information" above. These obligations continue even after service to or employment with Capella ends.

Some directors, officers and employees may execute separate agreements dealing with intellectual property matters. If any part of the following intellectual property policy statement conflicts with the terms of a separate Capella agreement that has been executed by a particular director, officer or employee, the terms of the separate agreement will govern as to that particular director, officer or employee.

Directors, officers and employees who conceive or reduce to practice inventions in the course of their work for Capella must assign ownership of them, along with associated patent rights, to Capella. Capella must compensate directors, officers and employees for assigning their rights in inventions that Capella seeks to protect under patent laws, in an amount not to exceed \$500 per invention (evenly allocated among all inventors). Directors, officers and employees must prepare and maintain records of the inventions, submit information about the inventions to Capella, and maintain them as trade secrets and/or assist in securing, protecting and enforcing patents, as determined by Capella. With respect to inventions conceived or reduced to practice during the period of Capella employment, the foregoing obligations continue even after Capella employment ends. However, this paragraph does not apply to an invention for which no equipment, supplies, facility or trade secret information of Capella was used and which was developed entirely on the director's, officer's or employee's own time, and (1) which does not relate (a) directly to the business of Capella or (b) to Capella's actual or demonstrably anticipated research or development, or (2) which does not result from any work performed by the director, officer or employee for Capella.

With respect to all forms of intellectual property other than patents, from inception or creation, Capella owns all rights in all materials, items, and works created, authored or otherwise produced by any director, officer or employee, including, but not limited to, course design and content. However, the preceding sentence does not apply to the copyright in a work for which no equipment, supplies, facility or trade secret information of Capella was used and which was developed entirely on the director's, officer's or employee's own time, and (1) which does not relate (a) directly to the business of Capella or (b) to Capella's actual or demonstrably anticipated research or development, or (2) which does not result from any work performed by the director, officer or employee for Capella. Moreover, except to the degree that such materials are created in connection with the development of course design or content, Capella does not claim

the copyrights to scholarly books or articles written by faculty members that relate to the faculty member's area of subject matter expertise and that do not relate to methods of course delivery or distance learning proprietary to Capella. Capella will respect the copyright of any material previously written and copyrighted by a faculty member who wishes to use that material in the development of a Capella course and/or as content for a Capella course; provided, however, that the faculty member must grant Capella a royalty-free, perpetual, irrevocable, nonexclusive and fully sublicensable right to use, reproduce, adapt, publish, translate, create derivative works of, distribute, perform and display such previously written material (in whole or in part) worldwide and/or to incorporate it in other works in any form, media or technology now known or later developed, solely in connection with providing the course (as the course may be changed from time to time). Directors, officers, employees and faculty members who have questions about rights to books or articles that they plan to write or have written should contact the Capella General Counsel or the General Counsel's designee for clarification.

The patents, trademarks, copyrights and trade secrets of other organizations and people must be honored. No director, officer, employee or faculty member may knowingly use software, publications, inventions, ideas or other materials covered by a patent, copyright or trademark held by some person or organization other than Capella unless Capella has secured a license allowing such use. Any director, officer, employee or faculty member who wishes to use such material should contact the Capella General Counsel or the General Counsel's designee. Faculty intending to use copyrighted or patented materials in their courses are responsible for securing written permissions from the copyright- or patent-holder in a form and manner designated by Capella.

Directors, officers, employees and faculty members must not defame any person, or invade or misappropriate any person's rights of privacy or rights of publicity.

To the extent that directors, officers, employees and faculty members engage in projects and research with third parties (such as research supported by grants and faculty-sponsored student research), ownership of and rights to intellectual property should be addressed in writing in advance. Any director, officer, employee or faculty member who wishes to engage in such a project should contact the President or Senior Vice President of Capella University.

COMPLIANCE WITH POLICIES

All directors, officers, employees and faculty members of Capella must comply with the policies described in this document (this document is deemed to include by reference Capella's insider trading policy and other policies setting forth legal and/or ethical compliance requirements). A violation of this Code of Business Conduct may result in disciplinary action, which may include discharge. Any violation of these policies that is also a violation of law will be reported to the appropriate authorities.

Questions about the policies and their application to particular situations may be directed to the people identified in specific sections of this document or to a director, officer, employee or faculty member's supervisor, Human Resources representative, any other member of management, or Capella's Compliance Officer, who for purposes of this policy shall be Capella's General Counsel.

Any director, officer, employee or faculty member who becomes aware of facts indicating a possible violation of any applicable laws, rules, regulations or this Code of Business Conduct should report those facts promptly to his or her supervisor, Human Resources representative, the Vice President of Human Resources or the Capella's Compliance Officer. All supervisory employees who become aware of suspected violations must report the suspected violation to either the Vice President of Human Resources or the Compliance Officer.

Directors, officers, employees and faculty members may choose to report a suspected violation of this Code of Business Conduct anonymously through Capella's reporting service, ComplyLine. Directors, officers, employees and faculty members may also report a violation or suspected violation anonymously by sending a letter or confidential fax to:

Compliance Officer
Capella Education Company
225 South 6th Street, 9th Floor
Minneapolis, MN 55402
612-977-5057 (fax)

When sending a report of suspected violation anonymously, the sender should provide as much detail as possible regarding the violation or suspected violation so that an investigation can be completed.

If a report of a violation or suspected violation relates to accounting, accounting controls or audit-related matters, the report will be forwarded to the Audit Committee of Capella's Board of Directors for an independent investigation.

All reports of violations or suspected violations will be kept confidential to the extent possible, consistent with Capella's need to conduct an adequate investigation.

Neither Capella nor any director, officer or employee of Capella will engage in any form of retaliation against any director, officer, employee or faculty member because he or she has reported a suspected violation in good faith. Any director, officer, employee or faculty member who engages in any form of retaliation against someone who has reported a violation or suspected violation in good faith is subject to discipline up to and including termination of employment.