

**Capella Education Company
Corporate Governance Principles**

BOARD OF DIRECTORS RESPONSIBILITIES

The Board of Directors of Capella Education Company adopted the following principles to reflect the principles by which the Board operates. The Board will review these principles from time to time and make changes that the Board deems necessary and appropriate.

ROLE OF THE BOARD OF DIRECTORS

The core responsibility of directors is to exercise their fiduciary duty to act in the long-term best interests of Capella and its shareholders. In discharging that obligation, directors are entitled to rely on the honesty and integrity of Capella's senior management and Capella's outside advisors and auditors, as well as their own business judgment. The Board selects and oversees members of senior management, and delegates the Board's authority and responsibility for conducting day-to-day operations of Capella's business to senior management.

Directors are expected to prepare for and attend Board meetings and meetings of committees on which they serve, to ask questions and engage in discussion, and to spend the time needed and meet as frequently as necessary to properly discharge their responsibilities.

BUSINESS ETHICS GUIDELINES

Each member of the Board shall at all times exhibit high standards of integrity and ethical behavior. Each director shall adhere to the applicable Capella policies concerning integrity and ethical behavior to which Capella's management and employees are subject, including the Capella Education Company Code of Business Conduct. Directors must promptly notify the corporate Secretary and the Chair of the Audit Committee if any actual or potential conflict of interest arises between the director and Capella. If a significant conflict exists and cannot be resolved, the director should resign. Except with respect to matters of director compensation, directors will recuse themselves from any Board discussion or decision that may affect their personal, business or professional interests. The Audit Committee will consider, and the Board will resolve, any conflicts of interest or other ethical questions concerning the CEO or directors, and the CEO will resolve any conflicts of interest or ethical questions involving any other officer of Capella.

BOARD OF DIRECTOR COMPOSITION

Selection of Board Members. The Board recommends to the shareholders a slate of nominees for election at each annual meeting. Between annual meetings of shareholders, the Board may elect directors to serve until the next annual meeting at which the term of that director expires. Nominees for all

directorships that are not subject to contractual nomination rights are identified by the Governance Committee in accordance with the policies and principles in the Committee's charter, and nominated by the Board for election.

Board Membership Criteria. The Governance Committee is responsible for developing and reviewing with the Board the skills and characteristics required of individual Board members, as well as the composition of the Board as a whole, in the context of Capella's needs. The Governance Committee reviews all nominees for director in accordance with the Committee's charter and recommends to the Board those candidates whose attributes the Committee believes would be most beneficial to Capella.

Board Size. The Governance Committee reviews the appropriate size of the Board, which may vary based on the availability of suitable candidates.

Lead Director. When the Board Chair position is filled by a management director, the Chair of the Executive Committee is designated as Capella's lead director. The responsibilities of lead director are set forth in the committee charters, Capella's Code of Business Conduct, and in these Corporate Governance Principles.

Directors who Change Jobs. The Board believes that directors who retire from their present employment, or materially change their employment, should volunteer to resign from the Board immediately upon such change in position. The Governance Committee will then evaluate the change in position and whether the director continues to meet the Board's membership criteria and make a recommendation to the Board whether to accept the director's resignation.

Director Terms. No non-management director may serve Capella as a director for more than a total of 15 years. This limit reflects the recognition that directors who have served on the Board for an extended period of time are able to provide valuable insight into Capella's operations and prospects based on their experience with and understanding of Capella's history, policies and goals. It also reflects the belief that Capella and the Board can benefit from new ideas and viewpoints by nominating and electing new Board members through the process described above.

Service on other Boards. The Board does not believe its members should be prohibited from serving on the boards of other companies so long as those commitments do not create material conflicts, whether actual or potential, and do not interfere with the director's ability to fulfill his or her duties as a member of the Board. The Governance Committee takes into account the nature of and time involved in a director's service on other boards in assessing director nominations. Directors should advise the Chair of the Governance Committee before accepting an invitation to serve on another board.

Retirement Policy. The Board and the Governance Committee may not nominate a director for a new term if he or she would be 68 years old or older at the time of election. Exceptions to this policy may be made on a case-by-case basis by action of the full Board.

Director Independence. A majority of the members of the Board will at all times be non-management directors who the Board determines, in its business judgment, are free of any relationship that would interfere with a Board member's exercise of independent judgment. In addition, if Capella securities are traded publicly, a majority of the members of the Board will at all times meet the criteria for independence required by any exchange or market on which Capella securities are traded. The Board will, not less than annually, make a determination regarding which members of the Board are independent under applicable requirements. No member of Capella management may serve on the board of a company at which a non-management director of Capella is an executive officer.

BOARD MEETINGS

Schedule and Agenda. At the beginning of each year, the CEO, in consultation with the lead director, will establish a schedule and agenda of subjects to be discussed during Board meetings throughout the year. Additional unscheduled Board meetings may be called upon appropriate notice at any time to address specific needs of Capella's business. The CEO will establish the agenda for each Board meeting. Each Board member is encouraged to suggest the inclusion of items on the agenda and to request information and analysis with respect to areas of interest at any time. The CEO and the corporate Secretary will attend all non-executive sessions of the Board. Other members of management may attend non-executive sessions (or portions of non-executive sessions) of the Board at the invitation of the CEO or the Board.

Advance Distribution of Materials and Director Preparation. Capella management will distribute prior to each Board meeting information and data that are important to the directors' understanding of the business to be conducted at the meeting. Directors should review these materials before the meeting to preserve time at the meeting for questions and discussion about the materials.

BOARD COMMITTEES

Number and Membership of Committees. The Board will have at all times an Audit Committee, Compensation Committee, Governance Committee and an Executive Committee. If Capella securities are publicly traded, all members of each of these committees will be independent directors, subject to any transition period permitted by the applicable exchange or market on which Capella's shares are traded. In addition, if Capella securities are traded publicly, the membership of these committees will comply with all applicable requirements of the exchange or market on which Capella securities trade, including

requirements for independence and financial expertise. The Board may form additional committees if and when it deems them necessary or appropriate. The Board appoints members of its committees annually upon recommendation of the Governance Committee after considering the desires, experience and expertise of individual directors, the recommendations of the CEO, and the benefits of rotating committee membership. It is desirable that committee memberships rotate on a periodic basis.

Committee Structure. Each committee will have its own charter. The charters will state the purposes, organization and responsibilities of the committees, including qualifications for committee membership, procedures for committee member appointment and removal, committee structure and operations, and committee reporting to the Board.

Committee Meetings. The chair of each committee, in consultation with the committee members, will determine the frequency and length of committee meetings consistent with any requirements in the committee's charter. The chair of each committee, in consultation with the committee members and management, will develop the committee's agenda for each meeting.

DIRECTOR COMMUNICATIONS

Director Access to Officers and Employees. Directors have full and free access to officers and employees of Capella. Any meetings or contacts that a director wishes to initiate may be arranged through the CEO or the corporate Secretary, or by the director directly. Any such contact should be done in a way that is not disruptive to the business operations of Capella. The corporate Secretary advises the Board on appropriate procedures for the conduct of meetings and on corporate governance matters and all Board members have access to the corporate Secretary's advice and services.

Director Access to Outside Advisors and Interaction with Third Parties. The Board and each committee have the authority to hire independent legal, financial or other advisors as they deem necessary or appropriate, without consulting or obtaining the approval of any officer of Capella.

Communications with Stakeholders. Capella's CEO is responsible for establishing effective communications with Capella's stakeholder groups (i.e. shareholders, customers, suppliers, governmental authorities, communities and employees). It is Capella's policy that management should speak for Capella. The policy does not preclude stakeholders, either individually or as a group, from communicating directly with the directors, but it is suggested that any such communications be conducted through the Board's approved processes and that directors generally not act as spokespersons for Capella in these meetings. In compliance with applicable regulatory requirements concerning the disclosure of Capella's processes for shareholder communications with Board members,

shareholders may contact independent directors by writing the lead director at Capella's principal address.

DIRECTOR ORIENTATION AND CONTINUING EDUCATION

Each new director must participate in Capella's orientation program, which should be conducted within three months after any new director is elected or otherwise joins the board. In addition, directors will be provided the opportunity to attend relevant continuing education courses regarding board member responsibilities, at Capella's expense.

DIRECTOR REMUNERATION

Compensation. The form and amount of compensation to directors is determined by the Compensation Committee in accordance with the policies and principles stated in its charter. The Compensation Committee recommends appropriate director compensation to the full Board for approval. Management will periodically prepare an assessment of Capella's director compensation measured against comparable companies and report that assessment to the Compensation Committee.

Indemnification. Directors are entitled to have Capella purchase reasonable directors' liability insurance on their behalf. Directors are entitled to the benefits of indemnification by Capella to the fullest extent permitted by law and Capella's Articles of Incorporation, Bylaws and any indemnification agreements.

PERFORMANCE EVALUATIONS

CEO Evaluation. The Executive Committee conducts an annual review of the CEO's performance. Following the performance review, the Compensation Committee conducts an annual review of the CEO's compensation and makes a recommendation to the Executive Committee in that regard.

Management Succession Plan. The Executive Committee reviews annually Capella's management succession plan, which must include policies regarding succession in the event of an emergency or the retirement of the CEO. The full Board works with the Governance Committee to identify and evaluate potential successors to the CEO. The CEO should at all times make available the CEO's recommendations and evaluations of potential successors, along with a review of any development plans recommended for potential successors.

Board Evaluation. The Board, with the assistance of the Governance Committee and the corporate Secretary, conducts an annual self-evaluation to determine whether it is functioning effectively.

Committee Evaluations. The Audit, Compensation, Executive and Governance Committees, with the assistance of the Governance Committee and the

corporate Secretary, conduct annual self-evaluations to determine whether they are functioning properly.