

CAPELLA EDUCATION CO  
Form 4  
October 03, 2007

**FORM 4**

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

OMB APPROVAL

OMB Number: 3235-0287  
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Check this box if no longer subject to Section 16. Form 4 or Form 5 obligations may continue. See Instruction 1(b).

**STATEMENT OF CHANGES IN BENEFICIAL OWNERSHIP OF SECURITIES**

Filed pursuant to Section 16(a) of the Securities Exchange Act of 1934, Section 17(a) of the Public Utility Holding Company Act of 1935 or Section 30(h) of the Investment Company Act of 1940

(Print or Type Responses)

1. Name and Address of Reporting Person \*  
SHANK STEPHEN G

2. Issuer Name and Ticker or Trading Symbol  
CAPELLA EDUCATION CO  
[CPLA]

5. Relationship of Reporting Person(s) to Issuer

(Check all applicable)

(Last) (First) (Middle)  
225 SOUTH 6TH STREET, 9TH FLOOR

3. Date of Earliest Transaction (Month/Day/Year)  
09/28/2007

Director  10% Owner  
 Officer (give title below)  Other (specify below)  
Chairman

(Street)  
MINNEAPOLIS, MN 55402

4. If Amendment, Date Original Filed(Month/Day/Year)

6. Individual or Joint/Group Filing(Check Applicable Line)  
 Form filed by One Reporting Person  
 Form filed by More than One Reporting Person

(City) (State) (Zip)

**Table I - Non-Derivative Securities Acquired, Disposed of, or Beneficially Owned**

1. Title of Security (Instr. 3)	2. Transaction Date (Month/Day/Year)	2A. Deemed Execution Date, if any (Month/Day/Year)	3. Transaction Code (Instr. 8)	4. Securities Acquired (A) or Disposed of (D) (Instr. 3, 4 and 5)	5. Amount of Securities Beneficially Owned Following Reported Transaction(s) (Instr. 3 and 4)	6. Ownership Form: Direct (D) or Indirect (I) (Instr. 4)	7. Nature of Indirect Beneficial Ownership (Instr. 4)
			Code	V Amount (D) Price			
Common Stock	09/28/2007		G	V 100 D \$ 0	1,680,393	D	
Common Stock	09/28/2007		G <sup>(1)</sup>	V 124,000 D \$ 0	1,556,493	D	
Common Stock	10/01/2007		G <sup>(2)</sup>	V 11,000 D \$ 0	1,545,493	D	
Common Stock	10/01/2007		G <sup>(3)</sup>	V 112,183 D \$ 0	1,433,310	D	
Common Stock	10/01/2007		M	4,756 A \$ 14.25	1,438,056	D	

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Common Stock	10/01/2007	M	28,070	A	\$ 14.25	1,466,126	D	
Common Stock	10/01/2007	M	33,254	A	\$ 14.25	1,499,380	D	
Common Stock	10/01/2007	M	25,592	A	\$ 11.71	1,524,972	D	
Common Stock	10/01/2007	M	17,078	A	\$ 11.71	1,542,050	D	
Common Stock	10/01/2007	M	7,577	A	\$ 11.92	1,549,627	D	
Common Stock	10/01/2007	M	19,212	A	\$ 17.72	1,568,839	D	
Common Stock	10/01/2007	M	17,989	A	\$ 20	1,586,828	D	
Common Stock	10/01/2007	M	56,050	A	\$ 20	1,642,878	D	
Common Stock	10/01/2007	M	14,731	A	\$ 20	1,657,609	D	
Common Stock	10/01/2007	M	22,066	A	\$ 13.11	1,679,675	D	
Common Stock	10/01/2007	G <sup>(1)</sup>	V 124,000	A	\$ 0	249,195	I	By Spouse
Common Stock	10/01/2007	G <sup>(4)</sup>	V 11,000	D	\$ 0	238,195	I	By Spouse
Common Stock	10/01/2007	G <sup>(5)</sup>	V 112,182	D	\$ 0	126,013	I	By Spouse
Common Stock	10/01/2007	G <sup>(2)</sup>	V 11,000	A	\$ 0	67,402	I	By trust
Common Stock	10/01/2007	G <sup>(3)</sup>	V 112,183	A	\$ 0	112,183	I	By trust
Common Stock	10/01/2007	G <sup>(4)</sup>	V 11,000	A	\$ 0	67,402	I	By spouse's trust
Common Stock	10/01/2007	G <sup>(5)</sup>	V 112,182	D	\$ 0	112,182	I	By spouse's trust
Common Stock						3,811 <sup>(6)</sup>	I	By ESOP

Reminder: Report on a separate line for each class of securities beneficially owned directly or indirectly.

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SEC 1474  
(9-02)

displays a currently valid OMB control number.

**Table II - Derivative Securities Acquired, Disposed of, or Beneficially Owned**  
(e.g., puts, calls, warrants, options, convertible securities)

1. Title of Derivative Security (Instr. 3)	2. Conversion or Exercise Price of Derivative Security	3. Transaction Date (Month/Day/Year)	3A. Deemed Execution Date, if any (Month/Day/Year)	4. Transaction Code (Instr. 8)	5. Number of Derivative Securities Acquired (A) or Disposed of (D) (Instr. 3, 4, and 5)	6. Date Exercisable and Expiration Date (Month/Day/Year)	7. Title and Amount of Underlying Securities (Instr. 3 and 4)	8. Amount or Number of Shares	
				Code	V (A) (D)	Date Exercisable	Expiration Date	Title	Amount or Number of Shares
Stock Option (right to buy)	\$ 14.25	10/01/2007		M	4,746	<u>(7)</u> 10/23/2010	Common Stock	4,746	
Stock Option (right to buy)	\$ 14.25	10/01/2007		M	28,070	<u>(7)</u> 10/23/2010	Common Stock	28,070	
Stock Option (right to buy)	\$ 14.25	10/01/2007		M	33,254	<u>(7)</u> 07/25/2011	Common Stock	33,254	
Stock Option (right to buy)	\$ 11.71	10/01/2007		M	25,592	<u>(7)</u> 08/26/2012	Common Stock	25,592	
Stock Option (right to buy)	\$ 11.71	10/01/2007		M	17,078	<u>(7)</u> 08/25/2012	Common Stock	17,078	
Stock Option (right to buy)	\$ 11.92	10/01/2007		M	7,577	<u>(8)</u> 10/22/2013	Common Stock	7,577	
Stock Option (right to buy)	\$ 17.72	10/01/2007		M	19,212	<u>(9)</u> 07/28/2014	Common Stock	19,212	
Stock Option (right to buy)	\$ 20	10/01/2007		M	17,989	<u>(10)</u> 08/12/2015	Common Stock	17,989	

buy)									
Stock Option (right to buy)	\$ 20	10/01/2007	M	56,050	(7)	02/14/2016	Common Stock	56,050	
Stock Option (right to buy)	\$ 20	10/01/2007	M	14,731	(11)	08/01/2013	Common Stock	14,731	
Stock Option (right to buy)	\$ 13.11	10/01/2007	M	22,066	(8)	10/22/2008	Common Stock	22,066	

## Reporting Owners

Reporting Owner Name / Address	Relationships			
	Director	10% Owner	Officer	Other
SHANK STEPHEN G 225 SOUTH 6TH STREET 9TH FLOOR MINNEAPOLIS, MN 55402	X	X	Chairman	

## Signatures

/s/ Gregory W. Thom, Attorney-in-Fact for Stephen G. Shank 10/03/2007

\_\_Signature of Reporting Person

Date

## Explanation of Responses:

- \* If the form is filed by more than one reporting person, *see* Instruction 4(b)(v).
- \*\* Intentional misstatements or omissions of facts constitute Federal Criminal Violations. *See* 18 U.S.C. 1001 and 15 U.S.C. 78ff(a).
- (1) Gift from reporting person to his wife
- (2) Gift from reporting person to the Stephen G. Shank 2004 Grantor Retained Annuity Trust, the trustee of which is Mary Shank Retzlaff, the reporting person's daughter
- (3) Gift from the reporting person to the Stephen G. Shank 2007 Grantor Retained Annuity Trust, the trustee of which is Mary Shank Retzlaff, the reporting person's daughter
- (4) Gift from reporting person's spouse to the 2004 Judith F. Shank Retained Annuity Trust, the trustee of which is Susan F. Shank, the reporting person's daughter
- (5) Gift from reporting person's spouse to the 2007 Judith F. Shank Retained Annuity Trust, the trustee of which is Susan F. Shank, the reporting person's daughter
- (6) As last reported on March 6, 2007
- (7) Immediately
- (8) The option vests as to 25% of the shares annually beginning on October 23, 2004
- (9) The option vested as to 6,404 of the shares annually for three years beginning on July 28, 2005 with the remaining 761 shares to vest on July 28, 2008

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- (10) The option vested as to 9,008 shares on August 12, 2006; 8,981 shares on August 12, 2007 and the remaining 8,982 shares vest on August 12, 2008
- (11) The option vested as to 14,731 shares on August 2, 2007 with the remaining 14,730 shares to vest on August 2, 2008

Note: File three copies of this Form, one of which must be manually signed. If space is insufficient, *see* Instruction 6 for procedure. Potential persons who are to respond to the collection of information contained in this form are not required to respond unless the form displays a currently valid OMB number.