

A Strong Foundation

American Public Education, Inc. 2015 Annual Report



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AMERICAN PUBLIC
EDUCATION, INC.



Foundations for Real Lives

As of December 31, 2015, nearly 96,000 students were enrolled at American Public University System and more than 1,500 students were enrolled at Hondros College of Nursing—working adult students who are motivated to advance in their profession and make a real difference in the lives of others.

American Public Education, Inc. (NASDAQ: APEI) is a mission-driven provider of higher education to working adults with a proud history of serving the military, public service and nursing communities through American Public University System (APUS) and Hondros College of Nursing (HCON). Today, we are focused on creating an engaging, interactive learning environment, optimizing our outreach efforts and refining our enrollment process—so we can help college-ready students achieve their full potential.



Dear Stockholders,

Dr. Wallace E. Boston, President and CEO

Although 2015 was a challenging year, American Public Education, Inc. is building on our strong foundation to fulfill our mission by addressing the critical needs of a rapidly changing higher education landscape and preparing our institutions—and our graduates—for an exciting future.

American Public University System, which encompasses American Military University (AMU) and American Public University (APU), is a regionally accredited provider of online education with a longstanding reputation for academic quality, affordability and innovation. Our newest institution, Hondros College of Nursing, is a respected, nationally accredited school of nursing with four Ohio campuses.

Through these institutions, we are fulfilling our mission—to improve lives by empowering students to reach their full potential, solve challenging problems, and make a contribution to their communities and to society. By providing an exceptional learning experience that is engaging and affordable, we serve the educational needs of working adults, including military, public service and nursing professionals.

Today, given increased competition for qualified students from both traditional and online universities, we face the challenge of attracting more college-ready students to APUS programs and improving the quality mix of our students. In 2015, we added an assessment to the enrollment process at APUS to help determine the college readiness of applicants. This new approach to admissions, combined with the impact of increased

Trusted Partner

“AMU has been a trusted partner with FBI National Academy Associates. We foster a learning environment—to get better and grow as leaders. When our students leave the National Academy, American Public University becomes an extension of that learning. It allows the students to continue their education and continue to better themselves, which ultimately betters the profession.”

Barry Thomas, President
FBI National Academy Associates



The FBI National Academy Associates, Inc. (FBI NAA) is a non-profit, international organization of nearly 17,000 senior law enforcement professionals who have completed the FBI's prestigious National Academy Program. Its mission includes providing opportunities for continuing education, training, professional development, peer networking and research in law enforcement disciplines.

competition, changes in the administration of the Department of Defense Tuition Assistance Program and other factors, contributed to a decline in net course registrations in 2015. For the year December 31, 2015, net course registrations declined 7% at APUS compared to the same period in 2014.

Historically, relationship marketing and partnerships have played a key role in helping APUS attract qualified students with strong academic intent. Today, in addition to refining enrollment processes at APUS, we are taking a more targeted approach to outreach and optimizing our marketing processes to help attract more college-ready students. Whether they are considering an online or traditional university,

prospective students are looking for an engaging academic environment, a rich curriculum, a strong faculty and a collaborative, supportive community of learners. Today at APUS, we are building a strong and sustainable future by creating an engaging, collaborative, and innovative online learning environment designed to attract—and retain—qualified students.

A Strong Foundation

APUS is a vibrant academic community with a longstanding commitment to teaching excellence and quality academic programs. Ranked among the top online undergraduate degree programs by *U.S. News and World Report* for four consecutive years, APUS was the first online for-profit

university and the first 100% online university to receive the prestigious Ralph E. Gomory Award for best practices from the Online Learning Consortium (OLC) and has received an unprecedented four Effective Practices awards from OLC. AMU is the leading educational institution serving the



94%
EMPLOYERS SURVEYED

feel our graduates possess field specific academic skills¹

Supporting Our Community



“American Public University System plays a vital role in our community, and is a critical partner in our efforts to expand entrepreneurship and bring high tech businesses to the Charles Town region. As part of President Obama’s Maker’s Movement Challenge, we’re working with APUS and other local partners to boost innovation, education and technology jobs here in Charles Town.”

Peggy A. Smith, Mayor
City of Charles Town, WV

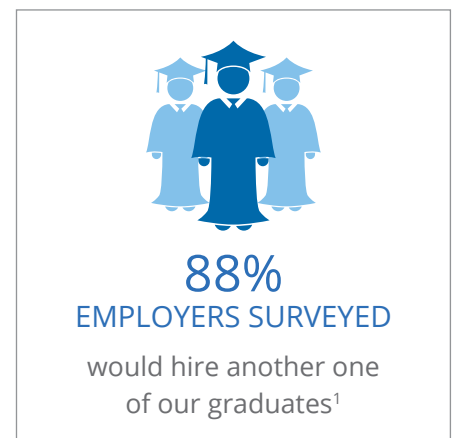
Headquartered in Charles Town, WV since 2002, APUS is the town’s second largest employer. The university has invested millions in local construction and renovation projects, including the construction of West Virginia’s largest solar array, which reflects its commitment to addressing the environmental, social and economic interests of the local and global communities we serve.

U.S. military. In 2015, *Military Times* magazine ranked AMU the number one school serving active duty military and the number nine school serving veterans.

During 2015, the distinguished faculty of APUS published more than 500 books and papers, earned more than 200 awards for professional practice, research and community service, and presented at more than 1,200 conferences, workshops and panels. They are leaders and practitioners in their fields, and dedicated to the success of their students.

We have never wavered from our commitment to supporting our students in their efforts to reach their goals. I am proud to report that in 2015, APUS

conferred degrees on more than 10,800 APU and AMU graduates—our largest graduating class ever. Today, there are more than 60,000 AMU and APU alumni worldwide. More than 45% of our alumni return for a second degree. We believe that this speaks to the quality, affordability and uniqueness of our programs. Many of our degrees are highly specialized offerings in fields such as Transportation and Logistics, Space Studies and Homeland Security. Affordability and value remain the cornerstone of our approach. Our total costs of combined tuition, books, and required fees are approximately 19% less for undergraduate and 38% less for graduate students than the average published in-state total costs at public four-year institutions.²



A Strategy for the Future

We believe APEI is at the forefront of higher education, investing in education technologies and exploring new ways to excite students by providing them with interactive content, such as simulations, gamification and rich media. We are using innovative technologies to

From the Battlefield to the Boardroom

“I went from the battlefield to the boardroom. The company I started—MAFAZO: Digital Solutions—provides information security services. I’m an expert in my field. I wouldn’t be an expert without some sound fundamental knowledge. The military teaches you the practical, but they don’t teach you the theoretical concepts. AMU prepares the student for tomorrow. And that’s what happened to me.”

Max Aulakh, Data Security and Compliance Leader
MAFAZO: Digital Solutions
BS, Information Systems Security, 2009, AMU



A former security specialist with the U.S. military who completed three tours in Iraq, Max Aulakh received his B.S. in Information Systems Security from AMU in 2009. In 2012, he founded MAFAZO: Digital Solutions to help organizations identify, protect and adapt to the changing pace of technology as well as cyber threats.



90%
ALUMNI SURVEYED

either completely or very satisfied
with education received³

support collaboration, engagement and student success in ways that differentiate us. For example, the new APUS Native app, a proprietary application developed by APUS and introduced in 2015, allows students to interact with their classmates and with faculty, to receive updates and notifications, to review class material and

participate in closed academic chats on their mobile devices. To date, the app has been installed on more than 44,000 devices. In January 2016, usage averaged 1.2 million page views per week.

Technology is a driving force behind the changing educational landscape and we are finding new ways to promote engagement and student success through innovative technologies.

Launched at APUS in 2015, ClearPath is a learning relationship management system developed by Fidelis Education, a technology company in which we have a minority investment. It enables student-faculty interaction, and allows students to collaborate with their teachers and to bring in outside mentors for academic support.

At APUS, we are using CIVITAS, a predictive analytics tool, to identify students who may be falling behind, so faculty can reach out to offer academic support and help them achieve success.

We are already seeing the early results of our efforts to improve student success, and to identify and assist at-risk students. In the fourth quarter of 2015, undergraduate first course pass and completion rates improved 38% over the prior year period among students receiving federal financial aid. These initial improvements represent an important first step in stabilizing enrollments and increasing persistence rates.

In Closing

APUS is built on certain fundamental strengths—affordable tuition, a reputa-



Helping Employees Develop Professionally

“Our partnership with APUS is definitely a benefit we can offer our employees. They can pursue a degree or certification in fields such as Intelligence Studies, Cybersecurity and IT. It’s something they need. It’s relevant to their jobs and it’s relevant to our customers.”

Cheryl Kula, Sr. Training Programming Manager
ManTech University

ManTech International Corp is a publicly-traded company that provides advanced technological services to the U.S. government. ManTech offers training and educational opportunities to its employees through ManTech University.

tion for academic quality, and a supportive, engaging culture that fosters innovation and student success. At the end of the first quarter of 2016, with the optimization of our admission process well underway, we expect to further refine our marketing and enrollment practices to help ensure that our students are prepared for college and have strong academic intent. In addition, we continue to advance the interactivity and appeal of our learning environment to attract and engage students, and we utilize new technologies to foster greater collaboration, student engagement and student success.

We are excited about the future of APUS and Hondros College of Nursing (HCON), which we acquired in November of 2013. I’m pleased to report that



95%
ALUMNI SURVEYED

would recommend us to a friend or colleague⁴

in February 2016, we received final change of ownership and control authorization notice for HCON from the U.S. Department of Education. HCON further expanded access to its programs by offering courses at night and on weekends at two additional campuses in 2015. These and other

important developments put us in a better position to serve the needs of the nursing and healthcare communities of Ohio.

At APEI, we envision a world in which every qualified student has access to the best possible higher education and the brightest possible future. We appreciate the continued support of all our stakeholders as we continue to pursue that vision.

Dr. Wallace E. Boston
President and Chief Executive Officer
American Public Education, Inc.

1. APUS Alumni Employer Survey, 2010–2015.

2. Public four-year, in-state undergraduate data is provided by the College Board’s Trends in College Pricing 2014. Graduate information is provided by the National Center for Education Statistics (NCES) Digest of Educational Statistics 2012-13 data. Annual estimates are based on total institutional costs (published tuition, required fees, and books) assuming 30 undergraduate or 18 graduate-level semester credit hours.

3. APUS End of Program Survey, 2015.

4. APUS Alumni Survey, 2015.

Executive Leadership



FROM LEFT TO RIGHT

Michael N. Netzer, Dr. Karan H. Powell, Harry T. Wilkins, CPA, Dr. Gwendolyn M. Hall, Richard W. Sunderland, CPA, Dr. Wallace E. Boston, Peter W. Gibbons, Carol S. Gilbert, Dr. Conrad D. Lotze

Dr. Wallace E. Boston*

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Executive Vice President,
Programs and Marketing

Dr. Karan H. Powell*

Executive Vice President and Provost

Harry T. Wilkins, CPA *(retired December 2015)*

Executive Vice President and
Chief Development Officer,
American Public Education, Inc.;
Chief Executive Officer,
Hondros College of Nursing

Thomas A. Beckett *(not pictured)*

Senior Vice President,
General Counsel

Peter W. Gibbons*

Senior Vice President and
Chief Administrative Officer

Dr. Gwendolyn M. Hall

Senior Vice President and Associate Provost

Dr. Conrad D. Lotze

Senior Vice President and
Associate Provost, Academic Affairs

Michael N. Netzer

Senior Vice President and Associate Provost,
Academic Program Development & Outreach

Tracy M. Woods *(not pictured)*

Senior Vice President,
Chief Information Officer

Executive Leadership Team as of April 2016.

*Denotes executive officers for purposes of the Securities Exchange Act.

Corporate Information

Corporate & Administrative Offices

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Stock Exchange Listing

The NASDAQ Global Select Market under the symbol "APEI."

Annual Shareholder Meeting

The Annual Meeting of American Public Education, Inc. shareholders will be held at the Gaylord National Resort & Conference Center, 201 Waterfront Street, National Harbor, Maryland 20745 on June 17, 2016 at 7:30 a.m. ET.

Investor Relations

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