

AMERICAN PUBLIC EDUCATION INC  
Form DEF 14A  
April 20, 2018

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

# SCHEDULE 14A

(Rule 14a-101)  
INFORMATION REQUIRED IN PROXY STATEMENT  
SCHEDULE 14A INFORMATION

Proxy Statement Pursuant to Section 14(a) of the  
Securities Exchange Act of 1934

Filed by the Registrant  x

Filed by a Party other than the Registrant  o

Check the appropriate box:

- o Preliminary Proxy Statement
- o **Confidential, For Use of the Commission Only (as permitted by Rule 14-(e)(2))**
- x Definitive Proxy Statement
- o Definitive Additional Materials
- o Soliciting Material Pursuant to Section 240.14a-12

## American Public Education, Inc.

(Name of Registrant as Specified In Its Charter)

(Name of Person(s) Filing Proxy Statement, if Other Than the Registrant)

Payment of Filing Fee (Check the appropriate box):

- x No fee required.
- o Fee paid previously with preliminary materials.
- o Fee computed on table below per Exchange Act Rules 14a-6(i)(4) and 0-11.

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(1) Amount Previously Paid:

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**AMERICAN PUBLIC EDUCATION, INC.**

111 W. Congress Street  
Charles Town, West Virginia 25414

## **NOTICE OF ANNUAL MEETING OF STOCKHOLDERS**

The 2018 Annual Meeting of Stockholders of American Public Education, Inc. (the Company) will be held on Friday, June 1, 2018 at 7:30 a.m. local time, at the Gaylord National Resort and Convention Center, 201 Waterfront Street, National Harbor, Maryland 20745, for the following purposes:

to elect to the Company's Board of Directors the seven nominees set forth in the accompanying proxy statement; to approve, on an advisory basis, the compensation of our named executive officers as disclosed in our Proxy Statement for the 2018 Annual Meeting; and to consider any other matters that properly come before the Annual Meeting or any adjournment or postponement thereof.

Each outstanding share of American Public Education, Inc. common stock (NASDAQ: APEI) entitles the holder of record at the close of business on April 5, 2018, to receive notice of and to vote at the Annual Meeting or any adjournment or postponement of the Annual Meeting.

We are pleased to take advantage of Securities and Exchange Commission rules that allow us to post these materials on the Internet, which enables us to provide stockholders with the information that they need more quickly, while lowering our costs of printing and delivery and reducing the environmental impact of our Annual Meeting.

**WHETHER OR NOT YOU EXPECT TO ATTEND THE MEETING, WE URGE YOU TO VOTE YOUR SHARES BY INTERNET, TELEPHONE, OR BY SIGNING, DATING AND RETURNING THE PROXY CARD YOU WILL RECEIVE IF YOU REQUEST PRINTED MATERIALS. IF YOU CHOOSE TO ATTEND THE ANNUAL MEETING, YOU MAY STILL VOTE YOUR SHARES IN PERSON, EVEN THOUGH YOU HAVE PREVIOUSLY VOTED OR RETURNED YOUR PROXY BY ANY OF THE METHODS DESCRIBED IN OUR PROXY STATEMENT. IF YOUR SHARES ARE HELD IN A BANK OR BROKERAGE ACCOUNT, PLEASE REFER TO THE MATERIALS PROVIDED BY YOUR BANK OR BROKER FOR VOTING INSTRUCTIONS.**

All stockholders are extended a cordial invitation to attend the meeting.

By Order of the Board of Directors

Dr. Wallace E. Boston, Jr.  
President and Chief Executive Officer  
April 20, 2018

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### **AMERICAN PUBLIC EDUCATION INC.**

111 W. Congress Street  
Charles Town, West Virginia 25414

### **PROXY STATEMENT FOR ANNUAL MEETING OF STOCKHOLDERS**

To Be Held On June 1, 2018

This Proxy Statement (the Proxy Statement ) and the accompanying proxy are furnished to the stockholders of American Public Education, Inc. (hereinafter, we, us, APEI and the Company ) in connection with the solicitation proxies by the Board of Directors (the Board ), to be voted at the Annual Meeting of Stockholders (the Annual Meeting ) and at any adjournment or postponement of the Annual Meeting, which will be held at 7:30 a.m. local time on June 1, 2018, at the Gaylord National Resort and Convention Center, 201 Waterfront Street, National Harbor, Maryland 20745, for the purposes set forth in the accompanying Notice of Annual Meeting of Stockholders. The Board has made this Proxy Statement and the accompanying Notice of Annual Meeting available on the Internet at <http://phx.corporate-ir.net/phoenix.zhtml?c=214618&p=proxy>. The Company mailed a Notice of Internet Availability of Proxy Materials to each of the Company s stockholders entitled to vote at the Annual Meeting on or about April 20, 2018.

## **ABOUT THE ANNUAL MEETING**

### **Purpose of the Annual Meeting**

The purpose of the Annual Meeting is for our stockholders to consider and act upon the proposals described in this Proxy Statement and any other matters that properly come before the Annual Meeting or any adjournment or postponement thereof. In addition, management will report on the performance of the Company and respond to questions from stockholders.

### **Proposals to be Voted Upon at the Annual Meeting**

At the Annual Meeting, our stockholders will be asked to consider and vote upon the following two proposals:

Proposal No. 1: To elect to the Board the seven nominees set forth in this Proxy Statement, each of whom will hold office until the next annual meeting of stockholders and until his or her successor is elected and qualified or until his or her earlier death, resignation or removal.

Proposal No. 2: To approve, on an advisory basis, the compensation of our named executive officers as disclosed in these proxy materials.

In addition, any other matters that properly come before the Annual Meeting or any adjournment or postponement thereof will be considered. Management is presently aware of no other business to come before the Annual Meeting.

### **Recommendation of the Board**

The Board recommends that you vote FOR each of the nominees to the Board (Proposal No. 1) and FOR the approval of the compensation of our named executive officers (Proposal No. 2).





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## **Important Notice Regarding the Availability of Proxy Materials for the Stockholder Meeting To Be Held on June 1, 2018**

Pursuant to the notice and access rules adopted by the Securities and Exchange Commission (the SEC), we have elected to provide stockholders access to our proxy materials over the Internet. Accordingly, we sent a Notice of Internet Availability of Proxy Materials (the Notice) on or about April 20, 2018 to all of our stockholders as of the close of business on April 5, 2018 (the Record Date). The Notice includes instructions on how to access our proxy materials over the Internet and how to request a printed copy of these materials. In addition, by following instructions in the Notice, stockholders may request to receive proxy materials in printed form by mail or electronically by e-mail on an ongoing basis.

Choosing to receive your future proxy materials by e-mail will save the Company the cost of printing and mailing documents to you and will reduce the impact of the Company's annual meetings on the environment. If you choose to receive future proxy materials by e-mail, you will receive an e-mail next year with instructions containing a link to those materials and a link to the proxy voting site. Your election to receive proxy materials by e-mail will remain in effect until you terminate it.

Our Annual Report to Stockholders and this Proxy Statement are available at <http://phx.corporate-ir.net/phoenix.zhtml?c=214618&p=proxy>.

### **Voting at the Annual Meeting**

Stockholders will be entitled to vote at the Annual Meeting on the basis of each share held of record at the close of business on the Record Date.

If on the Record Date you hold shares of our common stock that are represented by stock certificates or registered directly in your name with our transfer agent, American Stock Transfer & Trust Company (AST), you are considered the stockholder of record with respect to those shares, and AST is sending these proxy materials directly to you on our behalf. As a stockholder of record, you may vote in person at the meeting or by proxy. Whether or not you plan to attend the Annual Meeting in person, you may vote over the Internet by following the instructions in the Notice. If you request printed copies of the proxy materials by mail, you may also vote by signing and submitting your proxy card or by submitting your vote by telephone. Whether or not you plan to attend the Annual Meeting, we urge you to vote by way of the Internet, by telephone, or by filling out and returning the proxy card you will receive upon request of printed materials. If you submit a proxy but do not give voting instructions as to how your shares should be voted on a particular proposal at the Annual Meeting, your shares will be voted in accordance with the recommendations of the Board stated in this Proxy Statement. Any proxy given pursuant to this solicitation may be revoked by the person giving it at any time before its use by (1) delivering a written notice of revocation addressed to American Public Education, Inc., Attn: Corporate Secretary, 111 W. Congress Street, Charles Town, West Virginia 25414, (2) submitting a duly executed proxy bearing a later date, (3) voting again by Internet or by telephone, or (4) attending the Annual Meeting and voting in person. Your last vote or proxy will be the vote or proxy that is counted. Attendance at the Annual Meeting will not cause your previously granted proxy to be revoked unless you vote or specifically so request.

If on the Record Date you hold shares of our common stock in an account with a brokerage firm, bank, or other nominee, then you are a beneficial owner of the shares and hold such shares in street name, and these proxy materials will be forwarded to you by that organization. As a beneficial owner, you have the right to direct your broker, bank, or

other nominee on how to vote the shares held in their account, and the nominee has enclosed or provided voting instructions for you to use in directing it how to vote your shares. The nominee that holds your shares, however, is considered the stockholder of record for purposes of voting at the Annual Meeting. Because you are not the stockholder of record, you may not vote your shares in person at the Annual Meeting unless you bring to the Annual Meeting a letter from your broker, bank or other nominee confirming your beneficial ownership of the shares.

Whether or not you plan to attend the Annual Meeting, we urge you to vote by following the voting instructions provided to you to ensure that your vote is counted.

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If you are a beneficial owner and do not vote, and your broker, bank or other nominee does not have discretionary power to vote your shares, your unvoted shares may constitute broker non-votes. Unvoted shares that constitute broker non-votes will be counted for the purpose of establishing a quorum at the Annual Meeting. Voting results will be tabulated and certified by the inspector of elections appointed for the Annual Meeting. If you receive more than one Notice, it is because your shares are registered in more than one name or are registered in different accounts. Please follow the instructions on each Notice received to ensure that all of your shares are voted.

A list of stockholders of record as of the Record Date will be available for inspection during ordinary business hours at our offices located at 111 W. Congress Street, Charles Town, West Virginia 25414, from May 22, 2018 to the date of our Annual Meeting. The list will also be available for inspection at the Annual Meeting.

## **Quorum Requirement for the Annual Meeting**

The presence at the Annual Meeting, whether in person or by valid proxy, of the persons holding a majority of shares of common stock outstanding on the Record Date will constitute a quorum, permitting us to conduct our business at the Annual Meeting. On the Record Date, there were 16,399,199 shares of common stock outstanding, held by 496 stockholders of record. Abstentions (i.e., if you or your broker mark **ABSTAIN** on a proxy) and broker non-votes will be considered to be shares present at the meeting for purposes of a quorum. Broker non-votes occur when shares held by a broker for a beneficial owner are not voted with respect to a particular proposal and generally occur because the broker (1) does not receive voting instructions from the beneficial owner and (2) lacks discretionary authority to vote the shares. Brokers and other nominees have discretionary authority to vote on routine matters, such as the ratification of an independent public accounting firm, for clients who have not provided voting instructions. However, without voting instructions from their clients, they cannot vote on non-routine proposals, including the election of directors and matters related to executive compensation.

## **Required Votes**

*Election of Directors.* Each director will be elected by the vote of the majority of the votes cast with respect to that director's election. For purposes of electing directors, a majority of the votes cast means that the number of shares voted **FOR** a director's election exceeds the number of the votes cast against that director's election. Abstentions and broker non-votes are not taken into account in determining the outcome of the election of directors.

*Advisory vote on executive compensation.* The advisory vote on compensation of our named executive officers requires the affirmative vote of the holders of at least a majority of the shares of common stock present in person or represented by proxy at the Annual Meeting and entitled to vote. Broker non-votes are not taken into account in determining the outcome of this proposal, and abstentions will have the effect of a vote against this proposal.

## **Solicitation of Proxies**

We will bear the cost of solicitation of proxies. This includes the charges and expenses of brokerage firms and others for forwarding solicitation material to beneficial owners of our outstanding common stock. We may solicit proxies by mail, personal interview, telephone or via the Internet through our officers, directors and other management employees, who will receive no additional compensation for their services.



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# **CORPORATE GOVERNANCE STANDARDS AND DIRECTOR INDEPENDENCE**

The Board has adopted Corporate Governance Guidelines (the Guidelines ), a Code of Business Conduct and Ethics (the Code of Ethics ), and a Policy for Related Person Transactions as part of our corporate governance practices and in accordance with rules of the SEC and the listing standards of The NASDAQ Stock Market ( NASDAQ ).

## **Corporate Governance Matters**

The Guidelines set forth a framework to assist the Board in the exercise of its responsibilities. The Guidelines cover, among other things, the composition and certain functions of the Board, director independence, stock ownership by our non-employee directors, management succession and review, Board committees, the selection of new directors, and director expectations.

The Code of Ethics covers, among other things, compliance with laws, rules and regulations, conflicts of interest, corporate opportunities, confidentiality, protection and proper use of company assets, and the reporting process for any illegal or unethical conduct. The Code of Ethics is applicable to all of our officers, directors and employees. The Code of Ethics includes provisions specifically applicable to our Chief Executive Officer, Chief Financial Officer and other Principal Officers (as defined in the Code of Ethics).

In September 2017, the Board updated and consolidated the Code of Ethics. The amended Code of Ethics is more user friendly for employees and enhances guidance for employees, officers, and directors on compliance with law and Company policy. The amended Code of Ethics did not relate to or result in any waiver, explicit or implicit, of any provision of the previous Code of Ethics.

Any waiver of the Code of Ethics for our directors, executive officers or Principal Officers may be made only by the Board and will be promptly disclosed as may be required by law, regulation, or rule of the SEC or NASDAQ listing standards. If we further amend our Code of Ethics or waive the Code of Ethics with respect to our Chief Executive Officer, Chief Financial Officer or other Principal Officers, we will post the amendment or waiver on our corporate website, which is [www.americanpubliceducation.com](http://www.americanpubliceducation.com). The information on our corporate website is not incorporated by reference into this Proxy Statement.

The Guidelines and Code of Ethics are each available in the Governance section of our corporate website. The Guidelines, Code of Ethics, and Policy for Related Person Transactions are reviewed periodically by our Nominating and Corporate Governance Committee, and changes are recommended to the Board for approval as appropriate.

## **Certain Relationships and Related Person Transactions**

### **Policies and Procedures for Related Person Transactions**

As a supplement to and extension of our Code of Ethics, the Board has adopted a Policy for Related Person Transactions pursuant to which our Nominating and Corporate Governance Committee, another independent committee of the Board or the full Board, must give prior consent before we may enter into a related person transaction with our executive officers, directors, nominees for director and principal stockholders, including their immediate family members and affiliates. Any request for us to enter into a related person transaction with an

executive officer, director, nominee for director, principal stockholder or any of such persons' immediate family members or affiliates must first be presented to our Nominating and Corporate Governance Committee for review, consideration and approval. A related person transaction is a transaction in which the Company is or will be a participant and in which a related person has or will have a direct or indirect material interest, other than (i) a transaction involving \$120,000 or less when aggregated with all related transactions, (ii) a transaction involving compensation to an executive officer that is approved by the Board or the Compensation Committee, (iii) a transaction involving compensation to a director or director nominee that is approved by the Board, the Compensation Committee or the Nominating and Corporate Governance Committee, and (iv) any other transaction that is not required to be reported pursuant to Item 404(a) of Regulation S-K under the Securities Exchange Act of 1934. All of our directors, executive officers and employees are required to report to our Nominating and Corporate Governance Committee any such related person transaction. In approving or rejecting the proposed

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agreement, our Nominating and Corporate Governance Committee shall consider the facts and circumstances available and deemed relevant to the Nominating and Corporate Governance Committee, including, but not limited to the risks, costs and benefits to us, the terms of the transaction, the availability of other sources for comparable services or products, and, if applicable, the impact on a director's independence. Our Nominating and Corporate Governance Committee shall approve only those agreements that, in light of known circumstances, are in, or are not inconsistent with, our best interests, as our Nominating and Corporate Governance Committee determines in the good faith exercise of its discretion. Under the policy, if we should discover related person transactions that have not been approved, the Nominating and Corporate Governance Committee will be notified and will determine the appropriate action, including ratification, rescission or amendment of the transaction.

### **Related Person Transactions**

There were no related person transactions in 2017.

## **Stock Ownership Guidelines**

To further align the interest of our executive officers and directors with the interests of our stockholders, and after evaluation of best practices and consultation by the Compensation Committee with Willis Towers Watson Public Limited Company (Willis Towers Watson), its independent consultant, the Board has implemented stock ownership guidelines applicable to our executive officers and directors. Each executive officer is expected to hold shares of common stock with an aggregate value greater than or equal to a multiple of the executive officer's base salary as set forth below:

the Company's Chief Executive Officer six times base salary; the Company's Executive Vice President two times base salary; and

the Company's Senior Vice Presidents one times base salary.

Each of the Company's non-employee directors is expected to hold shares of common stock with an aggregate value greater than or equal to at least three times the amount of the annual retainer paid to non-employee directors for service on the Board, excluding additional committee retainers, if any.

Under the stock ownership guidelines, common stock held directly, including shares of common stock held in a separate brokerage account or in a 401(k) account, and common stock held indirectly (*e.g.*, by a spouse, minor dependent, or a trust for the benefit of the executive or director, or the executive's or director's spouse or minor dependent), count toward satisfaction of the levels set forth in the guidelines. For purposes of the guidelines, the value of the common stock is based on the closing price of the common stock on the day on which a determination under the guidelines is being made. The determination of compliance with the guidelines is measured annually on the last business day of each year.

Our executives and non-employee directors are expected to comply with these guidelines within five years of the date the person first became an executive or non-employee director, as applicable. If an executive officer has not achieved the stock ownership level as outlined above by that date, the executive officer will be required to retain 50% of the net shares of common stock acquired pursuant to equity awards made after the adoption of the guidelines until such levels are achieved. Net shares are those shares that remain after shares are sold or withheld to pay withholding taxes and/or the exercise price of stock options (if applicable).

## **Restrictions on Hedging**

We have adopted a policy prohibiting our directors, officers and employees from engaging in short sales, transactions in derivative securities (including put and call options), or other forms of hedging and monetization transactions, such as zero-cost collars, equity swaps, exchange funds and forward sale contracts, that allow the holder to limit or eliminate the risk of a decrease in the value of our securities. We have adopted this policy in order to align the interests and objectives of individuals subject to the policy with those of our stockholders.

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## **Restrictions on Pledging**

We have adopted a policy prohibiting our directors and officers from holding our securities in margin accounts, pledging our securities as collateral or maintaining an automatic rebalance feature in savings plans, deferred compensation or deferred fee plans. This prohibition is to avoid sales of our securities on behalf of an individual related to margin calls, loan defaults and automatic rebalances, which may occur when the individual has material nonpublic information regarding the Company.

## **Board Independence and Leadership Structure**

The Board believes, and our Guidelines require, that a substantial majority of its members should be independent directors. In addition, the respective charters of the Audit, Compensation and Nominating and Corporate Governance Committees currently require that each member of such committees be independent directors. Consistent with NASDAQ's independence criteria, the Board has affirmatively determined that all of our directors are independent, with the exception of Dr. Boston, who is our President and Chief Executive Officer. NASDAQ's independence criteria includes a series of objective tests, such as that the director is not an employee of the Company and has not engaged in various types of business dealings with us. In addition, as further required by NASDAQ rules, the Board has made a subjective determination as to each independent director that no relationship exists that, in the opinion of the Board, would interfere with the exercise of independent judgment in carrying out the responsibilities of a director. In making these determinations, the Board reviewed and discussed information provided by the directors and management with regard to each director's business and personal activities as they may relate to us and our management.

In accordance with our Guidelines, the independent members of the Board will hold at least two executive session meetings each year. If the Chairperson of the Board is not an independent director, an independent chairperson will be selected for each executive session. In general, these meetings are intended to be used as a forum to discuss the annual evaluation of the Chief Executive Officer's performance, the annual review of the Chief Executive Officer's plan for management succession and such other topics as the independent directors deem necessary or appropriate.

Our Guidelines specify that the Board shall select its Chairperson based on the Board's determination of what is then in the best interests of the Company. Historically, the Company has split the positions of the Chairperson of the Board and Chief Executive Officer because we believe that this structure is appropriate given the differences between the two roles in our management structure. Our Chief Executive Officer, among other duties, is responsible for implementing the strategic direction for the Company and for the day-to-day leadership and performance of the Company, while the Chairperson of the Board, among other responsibilities, provides guidance to the Chief Executive Officer, and presides over meetings of the full Board. Currently, Dr. Boston serves as our Chief Executive Officer and MG (Ret) Fast serves as the Chairperson of the Board.

## **Board's Role in Risk Oversight**

Our management is responsible for managing risks in our business, including by developing processes to monitor and control risks. The Board views its role as one of oversight and of responsibility for setting a tone that risk management should be properly integrated with our strategy and culture. The Board focuses on understanding management's risk management processes, the effectiveness of those processes and the way in which management proactively manages risks. The Board regularly meets with our management, particularly our Chief Executive Officer, Chief Financial Officer and our General Counsel to receive updates on how management is assessing and managing risk in particular functional areas of our business. The Board and its committees also request and receive regular reports from

management on particular areas of risk, such as cybersecurity or threats to technology infrastructure.

The Board is assisted in carrying out its oversight of risks by the Committees. In this regard, each of the charters of the Board's committees specifically address issues of risk. At the request of the full Board, from time to time the Nominating and Corporate Governance Committee may discuss

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or examine in more depth specific risk areas and request presentations and information from management for that purpose. The Nominating and Corporate Governance Committee considers and makes recommendations on how the Board is approaching its role of risk oversight. The Audit Committee reviews and assesses the qualitative aspects of financial reporting and our processes to manage financial and financial reporting risk. The Audit Committee regularly reports its findings to the Board.

While the Audit Committee and the Nominating and Corporate Governance Committee have primary responsibility for assisting the Board with its risk oversight responsibilities, the Compensation Committee also assists the Board with risk oversight. When establishing executive compensation and director compensation and in its role in implementing incentive compensation plans, the Compensation Committee considers whether compensation practices properly take into account an appropriate risk-reward relationship or encourage unnecessary and excessive risks that threaten the value of the Company. The Board has concluded that the Company's compensation policies and practices are not reasonably likely to have a material adverse effect on the Company; this conclusion has been confirmed by the Compensation Committee.

## **Meetings of the Board of Directors and its Committees**

Information concerning the Board and its three standing committees is set forth below. Each Board committee currently consists only of directors who are not employees of the Company and who are independent as defined in NASDAQ's rules.

The Board and its committees meet regularly throughout the year, and also hold special meetings and act by written consent from time to time. The Board held a total of five meetings during the fiscal year ended December 31, 2017. During this time, all of our current directors attended at least 75% of the aggregate number of meetings held by the Board and all committees of the Board on which such director served (during the period that such director served).

The Board does not have a formal policy with respect to Board member attendance at annual meetings of stockholders. Our 2017 Annual Meeting of Stockholders was attended by all of our directors who were then serving.

TABLE OF CONTENTS**BOARD COMMITTEES AND THEIR FUNCTIONS**

The Board has three standing committees: the Audit Committee; the Compensation Committee; and the Nominating and Corporate Governance Committee. The charters for the Audit, Compensation and Nominating and Corporate Governance Committees can be accessed electronically on the Committees page of our corporate website, which is [www.americanpubliceducation.com](http://www.americanpubliceducation.com). The information on our corporate website is not incorporated by reference into this Proxy Statement.

The Board conducts, and the Nominating and Corporate Governance Committee oversees, an annual evaluation of the Board's operations and performance in order to enhance its effectiveness. Recommendations resulting from this evaluation are made by the Nominating and Corporate Governance Committee to the full Board for its consideration. Each committee also conducts an annual evaluation of its own performance.

The following table describes which directors serve on each of the Board's standing committees and the number of committee meetings held during the year ended December 31, 2017:

| Name                           | Audit Committee  | Compensation Committee | Nominating and Corporate Governance Committee |
|--------------------------------|------------------|------------------------|---|
| Eric C. Andersen               | X                | X                      |   |
| Wallace E. Boston, Jr.         |                  |                        |   |
| Barbara G. Fast <sup>(2)</sup> |                  | X <sup>(1)</sup>       | X   |
| Jean C. Halle                  | X <sup>(1)</sup> |                        |   |
| Barbara L. Kurshan             | X                |                        | X   |
| Timothy J. Landon              | X                |                        | X <sup>(1)</sup>                              |
| William G. Robinson, Jr.       |                  | X                      | X   |
| <i>2017 Meetings:</i>          | 8                | 7                      | 4   |

(1)

Chair of the Committee.

(2)

Chair of the Board.

**Audit Committee**

The Board has established a separately designated standing Audit Committee in accordance with Section 3(a)(58)(A) of the Securities Exchange Act of 1934. The Audit Committee is responsible, among its other duties and responsibilities, for overseeing our accounting and financial reporting processes, the audits of our financial statements, the qualifications of our independent registered public accounting firm, and the performance of our internal audit function and our independent registered public accounting firm. The Audit Committee reviews and assesses the qualitative aspects of our financial reporting, our processes to manage financial reporting risk, and our compliance with significant applicable legal, ethical and regulatory requirements. The Audit Committee is directly responsible for

the appointment, compensation, retention and oversight of our independent registered public accounting firm. The members of our Audit Committee are Ms. Halle, who serves as chair of the Committee, Mr. Andersen, Mr. Landon, and Dr. Kurshan. Each member of the Audit Committee is able to read and understand fundamental financial statements, including our balance sheet, statement of operations, and statement of cash flows.

The Board has determined that Ms. Halle and Mr. Andersen are each an Audit Committee financial expert, as that term is defined under the SEC rules implementing Section 407 of the Sarbanes-Oxley Act of 2002. The Board has determined that each member of our Audit Committee is independent under NASDAQ's listing standards and each member of our Audit Committee is independent pursuant to Rule 10A-3 of the Securities Exchange Act of 1934.

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## **Compensation Committee**

The Compensation Committee is responsible, among its other duties and responsibilities, for establishing the compensation and benefits of our Chief Executive Officer and other executive officers, monitoring compensation arrangements applicable to our Chief Executive Officer and other executive officers in light of their performance, effectiveness and other relevant considerations, and administering our equity incentive plans. Pursuant to our Bylaws, the Compensation Committee may create one or more subcommittees, each subcommittee to consist of one or more members of the Compensation Committee, and may delegate any or all of its powers and authority to those subcommittees. The members of our Compensation Committee are MG (Ret) Fast, who serves as chair of the Committee, Mr. Andersen, and Mr. Robinson. The Board has determined that each member of our Compensation Committee meets NASDAQ's independence requirements for approval of the compensation of our Chief Executive Officer and other executive officers.

The Compensation Committee has the sole authority to retain and terminate any compensation consultant to assist in evaluating executive officer compensation. In 2017, the Compensation Committee retained Willis Towers Watson directly as an outside compensation consultant to assist in evaluating our compensation programs, as it has since 2007.

The Compensation Committee assessed Willis Towers Watson's independence, considering all relevant factors, including those set forth in NASDAQ rules. In connection with this assessment, the Committee considered Willis Towers Watson's work and determined that it raised no conflicts of interest. Willis Towers Watson does no work for the Company other than work that is authorized by the Compensation Committee or its chairperson. The Compensation Committee used information provided to it by Willis Towers Watson in connection with making 2017 compensation determinations. Willis Towers Watson also advised the Compensation Committee on the use of a peer group for comparative purposes. The consultant's role in recommending the amount or form of executive compensation paid to the Company's named executive officers during 2017 is described in the Compensation Discussion and Analysis Compensation Program Philosophy and Objectives Competitive Compensation and Peer Group Review section below.

The Compensation Committee considers the results of the annual advisory vote on the compensation of our named executive officers. See Proposal No. 2 below to review this year's proposal. In 2017, approximately 98% of the stockholder votes cast on this proposal were voted in favor of our executive compensation proposal.

The Compensation Committee works closely with our Chief Executive Officer, Dr. Boston, on compensation decisions and has delegated certain aspects of the annual incentive plans for the other executive officers, including the named executive officers, to Dr. Boston. For a discussion of Dr. Boston's role in determining or recommending the executive compensation paid to the Company's named executive officers during 2017, see the Compensation Discussion and Analysis Role of Executives in Executive Compensation Decisions section below. None of our other executive officers participates in any deliberations related to the setting of executive compensation.

## **Nominating and Corporate Governance Committee**

The Nominating and Corporate Governance Committee is responsible for recommending candidates for election to the Board. The Committee is also responsible, among its other duties and responsibilities, for making recommendations to the Board or otherwise acting with respect to corporate governance policies and practices, including board size and membership qualifications, recommendations with respect to director resignations tendered in the event a director fails to achieve a majority of votes cast in favor of his or her election, new director orientation, committee structure and membership, succession planning for our Chief Executive Officer and other key executive officers, and communications with stockholders. In addition, the Nominating and Corporate Governance Committee assists the

Board in understanding and overseeing management's processes for the assessment and management of non-financial risks of the Company and the steps that management has taken to monitor and control exposure to such risks. The members of our Nominating and Corporate Governance Committee are Mr. Landon, who serves as chair of the Committee, MG (Ret) Fast, Dr. Kurshan and Mr. Robinson. The Board has determined that each

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member of our Nominating and Corporate Governance Committee meets NASDAQ's independence requirements for directors that make director nominations.

## **Ad Hoc Committees**

From time to time, the Board may create ad hoc committees for specific purposes. In 2017, the Board created a temporary new committee of the Board called the Operations Committee. The Operations Committee was formed when Dr. Boston, the Company's President and Chief Executive Officer took over the position of Interim President of our subsidiary, American Public University System, in light of the transition and given the increased workload for Dr. Boston. The Operations Committee was tasked with providing the Board with additional oversight, on a regular basis, of the Company's strategic and diversification efforts, talent management and other personnel matters, and other areas of the Company's operations. Mr. Robinson was the only member of the Operations Committee during 2017. The Operations Committee met 12 times during the course of 2017.



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# **DIRECTOR NOMINATIONS AND COMMUNICATION WITH DIRECTORS**

## **Director Nomination Process**

The Nominating and Corporate Governance Committee recommends, and the Board nominates, candidates to stand for election as directors. Stockholders may also nominate persons to be elected as directors. If a stockholder wishes to nominate a person for election as director, he or she must follow the procedures contained in our Bylaws and satisfy the requirements of Regulation 14A of the Securities Exchange Act of 1934. For a stockholder's nomination of a person to stand for election as a director at the annual meeting of stockholders to be considered, our Corporate Secretary must receive such nominations at our principal executive offices not more than 120 days, and not less than 90 days, before the anniversary date of the prior year's annual meeting, except that if the annual meeting is set for a date that is not within 30 days before or 60 days after such anniversary, the nomination must be received no later than the later of the 90<sup>th</sup> day prior to such annual meeting or the close of business on the tenth day following the notice or public disclosure of the meeting. Each submission must include the following information:

the name and address of the stockholder who intends to make the nomination and the name and address of the person or persons to be nominated;

a representation that the stockholder is a holder of record of Company capital stock entitled to vote at the annual meeting and intends to appear in person or by proxy at the meeting to nominate the person or persons;

if applicable, a description of all arrangements or understandings between the stockholder and each nominee and any other person or persons, naming such person or persons, pursuant to which the nomination is to be made by the stockholder;

such other information regarding each nominee to be proposed by such stockholder as would be required to be included in a proxy statement filed under the SEC's proxy rules if the nominee had been nominated, or intended to be nominated, by the Board;

if applicable, the consent of each nominee to serve as a director if elected;

a statement whether each nominee, if elected, intends to tender an irrevocable resignation in the form required by the incumbent directors under the Bylaws; and

such other information that the Board may request in its discretion.

The Board may require any proposed nominee to furnish such other information as it may reasonably require to determine the eligibility of such proposed nominee to serve as one of its directors.

Each director will be elected by the vote of the majority of the votes cast with respect to that director's election, provided that if, as of the tenth day preceding the date we first mail notice of the meeting for such meeting to our stockholders, the number of nominees exceeds the number of directors to be elected, which we refer to as a Contested Election, the directors shall be elected by the vote of a plurality of the votes cast. Our Bylaws require that the Board or a committee of the Board shall not nominate any incumbent director who, as a condition to such nomination, does not submit a conditional and, in the case of an uncontested election, irrevocable letter of resignation to the Chairperson of the Board. If an incumbent nominee is not elected in an uncontested election, the Nominating and Corporate Governance Committee will promptly consider such director's conditional resignation and make a recommendation to the Board regarding the resignation. Each incumbent director nominated for election to the Board at the Annual Meeting as described under Proposal No. 1 below has submitted the conditional letter of resignation as required by our Bylaws.

In the event an incumbent director fails to receive a majority of the votes cast in an election that is not a Contested Election, the Nominating and Corporate Governance Committee, or such other committee designated by the Board pursuant to our Bylaws, shall make a recommendation to the Board as to whether to accept or reject the resignation of such incumbent director, or whether other action should be taken. The Board shall act on the resignation, taking into account the Committee's

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recommendation, and publicly disclose (by a press release and filing an appropriate disclosure with the SEC) its decision regarding the resignation and, if such resignation is rejected, the rationale behind the decision, within 90 days following certification of the election results. The Committee in making its recommendation and the Board in making its decision each may consider any factors and other information that it considers appropriate and relevant.

Additional information regarding requirements for stockholder nominations for next year's annual meeting is described in this Proxy Statement in the section titled "General Matters - Stockholder Proposals and Nominations" below.

## **Contacting the Board of Directors**

Stockholders wishing to communicate with the Board may do so by writing to the Board, the Chairperson of the Board, or the non-employee members of the Board as a group, at:

American Public Education, Inc.  
111 W. Congress Street  
Charles Town, West Virginia 25414  
Attn: Corporate Secretary

Complaints or concerns relating to our accounting, internal accounting controls or auditing matters will be referred to members of the Audit Committee. Other correspondence will be referred to the relevant individual or group. All correspondence is required to prominently display the legend "Board Communication" in order to indicate to the Corporate Secretary that it is a communication subject to our policy and will be received and processed by the Corporate Secretary's office. Each communication received by the Corporate Secretary will be copied for our files and in most cases will be promptly forwarded to the addressee. The Board has requested that certain items not related to the Board's duties and responsibilities be excluded from the communications so forwarded under the policy. In addition, the Corporate Secretary is not required to forward any communication that the Corporate Secretary, in good faith, determines to be frivolous, unduly hostile, threatening, illegal or similarly unsuitable. However, the Corporate Secretary will maintain a list of each communication subject to this policy that is not forwarded and, on a quarterly basis, will deliver the list to the Chairperson of the Board. In addition, each communication subject to this policy that is not forwarded because it was determined by the Corporate Secretary to be frivolous shall nevertheless be retained in our files and made available at the request of any member of the Board to whom such communication was addressed.

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## **PROPOSAL NO. 1 ELECTION OF DIRECTORS**

The Board is currently comprised of seven members. Our nominees for the election of directors at the Annual Meeting include six independent non-employee directors and our Chief Executive Officer. Each director is elected to serve a one-year term, with all directors subject to annual election. At the recommendation of the Nominating and Corporate Governance Committee, the Board has nominated the following persons to serve as directors for the term beginning at the Annual Meeting on June 1, 2018: Eric C. Andersen, Dr. Wallace E. Boston, Jr., MG (Ret) Barbara G. Fast, Jean C. Halle, Dr. Barbara L. Kurshan, Timothy J. Landon and William G. Robinson, Jr. All of the nominees are currently serving on the Board.

Proxies received in response to this solicitation will be voted FOR the election of each nominee named in this section unless otherwise stated in the proxy or in the case of a broker non-vote with respect to the proposal. Proxies submitted for the Annual Meeting can only be voted for those nominees named in this Proxy Statement. If, however, any director nominee is unable or unwilling to serve as a nominee at the time of the Annual Meeting, the persons named as proxies may vote for a substitute nominee designated by the Board, or the Board may reduce the size of the Board. Each nominee has consented to serve as a director if elected, and the Board does not believe that any nominee will be unwilling or unable to serve. Each director will hold office until his or her successor is duly elected and is qualified or until his or her earlier death, resignation or removal.

### **Criteria for Evaluating Director Nominees**

The Board provides strategic direction to the Company and oversees the performance of the Company's business and management. The Nominating and Corporate Governance Committee periodically identifies and reviews with the Board desired skills and attributes of both individual Board members and the Board overall within the context of current and future needs. The Nominating and Corporate Governance Committee is responsible for developing the general criteria, subject to approval by the full Board, for use in identifying, evaluating and selecting qualified candidates for election or re-election to the Board. The Nominating and Corporate Governance Committee reviews the appropriate skills and characteristics required of directors in the context of the current composition of the Board, our operating requirements and the long-term interests of our stockholders. It may use outside consultants to assist in identifying candidates. Among the characteristics the Committee may consider are the collective knowledge and diversity of professional skills and background, experience in relevant industries, age and geographic background in addition to the qualities of integrity, judgment, acumen, and the time and ability to work professionally and effectively with other Board members and management and make a constructive contribution to the Board. The Committee considers candidates submitted by directors and management, as well as candidates recommended by stockholders, which are evaluated in the same manner as other candidates identified to it. Final approval of director candidates is determined by the full Board.

The Board has determined that all of our director nominees are qualified to serve as directors of the Company.

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The name of each nominee for director, their ages as of April 6, 2018 and other information about each nominee is shown below. In addition, the biographies of each of the nominees below contain information regarding the experiences, qualifications, attributes or skills that caused the Nominating and Corporate Governance Committee and the Board to determine that the person should serve as a director for the Company.

| Name                     | Age | Principal Occupation   | Director Since |
|--------------------------|-----|--|----------------|
| Eric C. Andersen         | 56  | Partner, Peak Equity   | 2012           |
| Wallace E. Boston, Jr.   | 63  | President and Chief Executive Officer of the Company   | 2004           |
| Barbara G. Fast          | 64  | President and Chief Executive Officer, BGF Enterprises LLC                                     | 2009           |
| Jean C. Halle            | 59  | Independent Consultant   | 2006           |
| Barbara L. Kurshan       | 69  | Senior Fellow and Innovation Advisor, University of Pennsylvania, Graduate School of Education | 2014           |
| Timothy J. Landon        | 55  | Chief Executive Officer, Aggrego, LLC  | 2009           |
| William G. Robinson, Jr. | 53  | Independent Consultant   | 2016           |

*Eric C. Andersen* has served on the Board since June 2012. Mr. Andersen also serves on the board of NWHW Holdings, Inc. as the APEI representative. Mr. Andersen is a partner with Peak Equity, a lower middle market private equity firm that specializes in making investments in enterprise software companies. Prior to joining Peak, Mr. Andersen was a partner at Milestone Partners, a private equity firm, from 2011 to 2015. From 2006 to 2011 Mr. Andersen served as a Managing Director of private equity firm Silver Lake Partners, before which he worked in the consulting industry with IBM Business Consulting Services (BCS), serving as Managing Partner, Asia Pacific responsible for IBM's business solutions and business process outsourcing business across Asia Pacific, and Managing Partner, Distribution Sector responsible for IBM's consulting business in the pharmaceutical, retail, consumer goods and travel/transportation industries. Before working with IBM, Mr. Andersen was a senior partner at PwC Consulting, where he served in a variety of positions. Mr. Andersen currently serves on the boards of directors of several private companies.

We believe that Mr. Andersen's qualifications to serve on the Board include his experience as a principal in several private equity firms, as well as his expertise in outsourcing, business processes and international operations.

*Dr. Wallace E. Boston, Jr.* joined us in September 2002 as Executive Vice President and Chief Financial Officer of American Public University System (APUS) and since June 2004 has served as President and Chief Executive Officer and a member of the Board of Directors of APEI. Since October 2017, Dr. Boston has also served as Interim President of APUS. Dr. Boston previously served President and Chief Executive Officer of APUS from June 2004 to July 2016. From August 2001 to April 2002, Dr. Boston served as Chief Financial Officer of Sun Healthcare Group. From July 1998 to May 2001, Dr. Boston served as Chief Operating Officer and, later, President of NeighborCare, Inc. From February 1993 to May 1998, Dr. Boston served as Vice President of Finance and later, Senior Vice President of Acquisitions and Development of Manor Healthcare Corporation, now Manor Care, Inc. From November 1985 to December 1992, Dr. Boston served as Chief Financial Officer of Meridian Healthcare.

We believe that Dr. Boston's qualifications to serve on the Board include his service as our Chief Executive Officer since 2004 and his service as our Chief Financial Officer between 2002 and 2004. Dr. Boston's leadership has been pivotal to the Company in some of our most significant events, including our accreditation by the Higher Learning

Commission in 2006, our 2007 initial public offering, the receipt by American Public University System of the 2009 Ralph E. Gomory Award for Quality Online Education, also known as the Sloan-C Award, our reaccreditation in 2011, and our 2013 acquisition of National Education Seminars, Inc., which we refer to as Hondros College of Nursing.

*Major General (Retired) Barbara G. Fast* has served on the Board since May 2009, was appointed Vice-Chairperson of the Board in August 2014 and was appointed Chairperson in

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June 2015. MG (Ret) Fast also serves as Chairperson of the Board of Directors of Hondros College of Nursing. She is the President and CEO of BGF Enterprises LLC. She served as Senior Vice President, Strategic Engagements, CGI Federal, from June 2014 to September 2016. Prior to that she served as Senior Vice President, Army Defense and Intelligence Programs, CGI Federal, beginning in November 2012. Prior to that she served as Vice President of Operations and Intelligence, CGI Federal, from June 2011. Previously she was the Vice President of Cyber and Information Solutions at The Boeing Company, which she joined in August 2008. MG (Ret) Fast retired from the Army in July 2008 after a 32-year career. Her most recent posts included: Deputy Director, Army Capabilities and Requirements Center, Training and Doctrine Command, from July 2007 until June 2008; Deputy and, later, Commanding General for the United States Army Intelligence Center and Fort Huachuca, Arizona, from August 2004 until June 2007; and Director of Intelligence, Multinational Forces Iraq (Baghdad, Iraq) from July 2003 until July 2004. MG (Ret) Fast currently serves on the boards of directors of several government and private organizations.

We believe that MG (Ret) Fast's qualifications to serve on the Board include her extensive experience and achievements in the U.S. Military, national and defense intelligence, and cyber security, culminating in over 32 years of military service until her retirement as a Major General, her service as Commanding General of Fort Huachuca, and her current work in industry and not-for-profit organizations.

*Jean C. Halle* has served on the Board since March 2006. Since 2010, Ms. Halle has worked as an independent consultant. From September 2013 until May 2014 she served as the Acting Chief Operating Officer for Curiosityville, a digital early learning company. From 2002 to 2010, Ms. Halle was the Chief Executive Officer of Calvert Education Services, a provider of accredited distance education programs and educational support services. From 1999 to 2001, Ms. Halle was the Chief Financial Officer and Vice President of New Business Development for Times Mirror Interactive, a digital media subsidiary of the former Times Mirror Company. From 1986 to 1999, Ms. Halle held a number of positions with The Baltimore Sun Company, including Vice President of New Business Development, Chief Financial Officer and Vice President of Finance, President of Homestead Publishing, a subsidiary of The Baltimore Sun Company, and Director of Strategic Planning. From 1983 to 1986, Ms. Halle was the Chief Financial Officer and Vice President of Finance for Abell Communications, and Assistant Treasurer of A.S. Abell Company, the former parent company of The Baltimore Sun Company. From 1979 to 1983, Ms. Halle was a Senior Management Consultant with Deloitte, Haskins and Sells, now Deloitte, an international accounting and professional services firm. Ms. Halle currently serves on the President's Advisory Council for Stevenson University, the Board of Trustees of Catholic Distance University, the Advisory Board of Loyola University School of Education and the advisory boards of two private companies.

We believe that Ms. Halle's qualifications to serve on the Board include her multifaceted experiences in online education as Chief Executive Officer of Calvert Education Services, in media as Chief Financial Officer and Vice President of New Business Development for Times Mirror Interactive, and in financial consulting as a Senior Management Consultant at an international accounting and professional services firm. Ms. Halle was also a 2011 National Association of Corporate Directors Board Leadership Fellow, having completed a comprehensive program of study for experienced corporate directors spanning leading practices for boards and committees.

*Dr. Barbara Bobbi L. Kurshan* has served on the Board since August 2014. Dr. Kurshan is Innovation Advisor (previously Executive Director of Academic Innovation) and a Senior Fellow in Education at the Graduate School of Education at the University of Pennsylvania, a position she has held since 2012. Dr. Kurshan also provides consulting services through Educorp Consultants Corporation, a company she has owned and operated since 1989. Dr. Kurshan received her MS in Computer Science and her Ed.D. in Curriculum and Instruction with concentration in Educational Technology from Virginia Tech University and has had a nearly thirty-year career as both an academic and award-winning entrepreneur. She currently serves on the boards of directors of two private organizations.

We believe that Dr. Kurshan's qualifications to serve on the Board include her extensive background and leadership experience for nearly thirty years in the field of higher education.

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*Timothy J. Landon* has served on the Board since January 2009. Since September 2013, Mr. Landon has served as the Chief Executive Officer of Aggrego, LLC, a venture capital-backed startup focused on building content and ad networks for mobile distribution in the United States, Western Europe, the Caribbean, Central America and Asia Pacific. Aggrego's investors are Wrapports, LLC and Digicel Group Limited. From June 2012 until September of 2013, Mr. Landon served as President of Wrapports Ventures, the venture capital and incubator division of Wrapports, LLC, which disrupts and transforms local media using technology. From 2008 to 2012, Mr. Landon served as Chief Executive Officer of Landon Company, where he focused on early stage angel investing and consulting for private equity, venture capital and large traditional and online media companies. Mr. Landon worked at Tribune Company for more than 20 years, and served in a variety of positions within the Tribune organization, including as President of Tribune Interactive, Inc. from March 2004 until February 2008, where he was responsible for overall interactive and classified advertising strategy, technology and operations for the Tribune Company, and had leadership roles in starting CareerBuilder.com, Classified Ventures (the holding company of Apartments.com and Cars.com), and other online businesses. In December 2008, the Tribune Company filed a voluntary petition for relief under Chapter 11 of the United States Bankruptcy Code.

We believe that Mr. Landon's qualifications to serve on the Board include his extensive experience in starting, building and managing internet-focused media businesses over the last seventeen years. He brings significant knowledge of online marketing and online business models, including knowledge based on his position as President of Tribune Interactive and his experience at CareerBuilder.com, which has direct relevance and applicability to our business.

*William G. Robinson, Jr.* has served on the Board since June 2016. Mr. Robinson is an independent consultant. From December 2013 through September 2017, Mr. Robinson served as executive vice president and chief human resources officer of Sabre Corporation, where he was responsible for leading Sabre's global human resources organization, including talent management, organizational leadership and culture. Prior to joining Sabre, Mr. Robinson served as the senior vice president and chief human resources officer at Coventry Health Care, a diversified managed health care company that then had 14,000 employees, from 2012 to 2013. From 2010 to 2011, Mr. Robinson served as senior vice president for human resources at Outcomes Health Information Solutions, a healthcare analytics and information company specializing in the optimization and acquisition of medical records. Prior to that, from 1990 to 2010, he worked for General Electric, where he held several human resources leadership roles in diverse industries including information technology, healthcare, energy and industrial. Most recently, he was the human resources leader within the GE Enterprise Solutions division where he led a global team in an organization of 20,000 employees in 200 locations worldwide.

We believe that Mr. Robinson's qualifications to serve on the Board include his significant experience and leadership in human resources and his experience as an executive officer of other public companies.

## **Required Vote and Board Recommendation**

In order to be elected as a director, a nominee must be elected by a majority of the votes cast with respect to such nominee at the Annual Meeting. A majority of the votes cast means that the number of shares of common stock voted FOR a nominee must exceed 50% of the votes cast with respect to that nominee. Abstentions and broker non-votes are not taken into account in determining the outcome of the election of directors. Stockholders do not have the right to cumulate their votes in the election of directors. If an incumbent nominee in an uncontested election such as the election to be held at the Annual Meeting fails to be elected, the incumbent nominee will continue in office and the Board will consider whether to accept the nominee's earlier submitted conditional resignation. If the resignation is not accepted the incumbent nominee may continue in office until a successor is elected.

**THE BOARD RECOMMENDS A VOTE FOR ELECTION OF EACH OF THE SEVEN NOMINATED DIRECTORS.**

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## 2017 DIRECTOR COMPENSATION

Our non-employee director compensation policy was established and is periodically revised following consultation with Willis Towers Watson. In December 2016, Willis Towers Watson presented to the Compensation Committee information on non-employee director compensation, providing comparative information on the same peer group that the Compensation Committee uses for executive compensation, as well as general industry levels. Following consultation with Willis Towers Watson, the Compensation Committee recommended, and the Board approved, increases in director compensation, effective as of January 1, 2017. The Board determined that these increases were appropriate because the annual compensation for the Company's non-employee directors was previously near the bottom of the peer group and below the median of the general industry survey prepared by Willis Towers Watson. The Board also considered that there had not been any increases to director compensation for three years.

Pursuant to the revised policy, for directors receive an annual retainer of \$60,000. The chairs of the Audit, Compensation, and Nominating and Corporate Governance Committees receive additional annual retainers of \$15,000, \$10,000 and \$8,000, respectively, and the non-employee Chairperson of the Board receives an additional annual retainer of \$50,000. The Chairperson is not entitled to receive any additional annual retainers for also serving as chair of any of the Board's standing committees.

The annual retainers are payable in quarterly installments, and each director may, before the beginning of the applicable year, elect to receive his or her annual retainer in common stock having the same value as the portion of the annual retainer to be paid, calculated as of the close of business on the first business day of the year. In connection with our annual meeting of stockholders, our non-employee director compensation policy also provides for an annual grant to each director of restricted stock having a value of \$75,000 on the grant date. The restricted stock grant vests on the earlier of the one-year anniversary of the date of grant or immediately prior to the next year's annual meeting of stockholders.

From time to time the Board may create ad hoc committees that are in addition to the regular responsibilities of Board members, and are therefore viewed as requiring time and energy outside of what the annual retainer is intended to cover. In 2017, the Board created the Operations Committee, for which it determined additional compensation was appropriate. The compensation for the Operations Committee was set at a maximum of \$2,500 per day, at a rate of (i) \$2,500 for each day spent on site at our headquarters in Charles Town, West Virginia and (ii) for time spent remotely, \$312.50 per every hour of committee activity.

We also reimburse all directors for travel and other necessary business expenses incurred in the performance of their services for us and extend coverage to them under the directors' and officers' indemnity insurance policies.

Some directors may also be asked to serve as a representative of the Board on the boards of our wholly-owned subsidiaries or in entities in which we have invested. A non-employee director who serves on the board of a wholly-owned subsidiary as a representative of the Board receives a payment of \$2,500 (\$3,000 for a director serving as chair) per in-person meeting, or \$750 (\$1,000 for a director serving as chair) for telephonic meetings, but with no more than one payment per day. Non-employee directors who serve on the board of entities in which we have invested are compensated by those companies consistent with their policies, provided that our Compensation Committee or full Board of Directors reviews the compensation arrangements.

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The following table sets forth information regarding compensation earned by our non-employee directors during 2017:

| Name <sup>(1)</sup>             | Fees Earned or Paid in Cash (\$) <sup>(2)</sup> | Stock Awards (\$) <sup>(3)</sup> | Total (\$) |
|---------------------------------|---|----------------------------------|------------|
| Eric C. Andersen <sup>(4)</sup> | \$ 60,000                                       | \$ 74,986                        | \$ 133,620 |
| Barbara G. Fast                 | \$ 124,000                                      | \$ 74,986                        | \$ 198,986 |
| Jean C. Halle                   | \$ 75,000                                       | \$ 74,986                        | \$ 149,986 |
| Barbara L. Kurshan              | \$ 60,000                                       | \$ 74,986                        | \$ 134,986 |
| Timothy J. Landon               | \$ 68,000                                       | \$ 74,986                        | \$ 139,893 |
| Westley Moore                   | \$ 60,000                                       | \$ 74,986                        | \$ 132,260 |
| William G. Robinson             | \$ 83,281                                       | \$ 74,986                        | \$ 158,267 |

See the Summary Compensation Table in the Compensation Tables and Disclosures section of this Proxy

(1) Statement for disclosure related to Dr. Boston, who is one of our named executive officers ( NEOs ) as of December 31, 2017.

(2) Each of Mr. Landon, Mr. Andersen, and Mr. Moore elected to receive a portion of his 2017 annual retainer(s) in fully-vested shares of common stock, representing 50%, 25% and 50%, respectively, and received a total of 1,371, 605, and 1,210 shares, respectively. For MG (Ret) Fast, amount includes \$14,000 received as compensation for her service as Chairperson of the Board of APEI's subsidiary National Education Seminars, Inc., which was paid by National Education Seminars, Inc. and which operates as Hondros College of Nursing, and which service is at the request of the APEI Board of Directors.

(3) The aggregate grant date fair value of the restricted stock awards in 2017 was \$24.15, as computed in accordance with FASB ASC Topic 718.

(4) Mr. Andersen received an additional \$30,000 as compensation for his service on the Board of Directors of NWHW Holdings, Inc., which was paid by NWHW Holdings, Inc., and which service is at the request of the APEI Board of Directors.

As of December 31, 2017, there were no exercisable or unexercisable option awards held by our current non-employee directors. The aggregate number of unvested stock awards outstanding held as of that date by our current non-employee directors were as follows:

| Name               | Stock Awards |
|--------------------|--------------|
| Eric C. Andersen   | 3,105        |
| Barbara G. Fast    | 3,105        |
| Jean C. Halle      | 3,105        |
| Barbara L. Kurshan | 3,105        |

|                     |       |
|---------------------|-------|
| Timothy J. Landon   | 3,105 |
| William G. Robinson | 3,105 |

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## **EXECUTIVE COMPENSATION**

### **Compensation Discussion and Analysis**

#### **EXECUTIVE SUMMARY**

This Compensation Discussion and Analysis describes our executive compensation program and decisions for 2017.

This section details the compensation framework applied by the Compensation Committee and, in particular, our compensation philosophy and objectives, elements of compensation, compensation decisions and the link between executive pay and performance. Our named executive officers, or NEOs, for 2017 are:

Wallace E. Boston, Jr., our Chief Executive Officer and President, and Interim President of American Public University System, or APUS;

Richard W. Sunderland, Jr., our Executive Vice President and Chief Financial Officer;

Thomas A. Beckett, our Senior Vice President, General Counsel and Secretary;

Amy N. Panzarella, our Senior Vice President, Human Resources and Community Affairs; and

Karan Powell, our former President of APUS, who served in this role until October 2017.

On October 15, 2017, Dr. Powell retired from her position as President of APUS, and agreed to consult with the Company through June 30, 2018. Dr. Boston became the Interim President of APUS on that date, though his compensation structure and opportunities for 2017 were not adjusted as a result of his taking on this additional role, and accordingly, his assumption of that role is not discussed in this Compensation Discussion and Analysis. The individuals named above were the only individuals who served as executive officers of APEI during 2017.

Consistent with the design of our executive compensation program, the compensation realized by our NEOs was lower in 2017 as a result of our financial performance. While we continued to make strong operational achievements in 2017, our financial performance was below expectations. As a result, our NEOs received no payouts under our annual incentive plan tied to financial performance and only modest payouts tied to performance objectives. Dr. Boston's payout under our annual incentive plan was only 13.3% of his target annual incentive opportunity. Based on our free cash flow (the performance measure for our performance-based deferred stock unit awards), performance awards were earned by our NEOs at only the 76.75% level.

### **Building on a Strong Foundation**

APEI provides online and on-campus postsecondary education through two subsidiary institutions. APUS provides online postsecondary education to approximately 83,400 adult learners (as of December 31, 2017) and has a history of serving the academic needs of the military, military-affiliated and public service communities. National Education Seminars, Inc., which we refer to as Hondros College of Nursing, or HCN, provides nursing education to approximately 2,100 students (as of December 31, 2017) across five campuses in the State of Ohio, as well as online.

We continued to face a number of challenges at APUS in 2017 recruiting students, including challenges associated with competition for students and challenges in the military market, the continuing effects of prior periods of decreased registrations, and ongoing declines in new student course registrations resulting in decreased returning student net course registrations. As a result, net course registrations for APUS declined 6% year-over-year for 2017. Despite these and other challenges, the rate of decline decreased in 2017 as compared to 2016 and in the fourth quarter of 2017 as compared to the previous four quarters. We believe these improvements are indicators that our efforts to attract and retain students with greater college readiness are working, and this directly reflects the leadership of our named executive officers. In addition, we saw continued growth in student enrollment at HCN in 2017. We believe

that HCN's student enrollment increase is attributable to the opening of the Toledo campus in January 2017 and an increase in demand for programs offered by HCN.

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As we help our students prepare to advance their careers, APEI is committed to remaining successful during a period of growing competition and challenges in for-profit education. We continue to focus on driving improvements in our core services focusing on academic quality, student outcomes, and the learning experience not only to potentially reach more students and improve our business results, but also to enroll students with greater college readiness on average and help them achieve success. Strong and motivated leadership is and will be critical to achieving our goals.

## 2017 Compensation Mix

The table below shows the breakdown of the components of Dr. Boston’s target compensation opportunity for 2017. As discussed in the overview section below, the breakdown of Dr. Boston’s target compensation opportunity reflects our focus on variable compensation tied to performance, with Dr. Boston’s fixed base salary representing only 28% of his total compensation opportunity, with annual and long-term incentives tied to our equity performance representing the remainder.

### COMPENSATION PROGRAM OVERVIEW

## Compensation Program Philosophy and Objectives

Our compensation programs for our NEOs are designed to attract, incentivize, retain and reward the talent that we need to maintain and strengthen our position in higher education and to achieve our business objectives.

| Elements of our Compensation Program Philosophy |   |
|---|---|
| Variable Cash Compensation                      | We believe in using variable cash compensation to motivate and reward performance for our NEOs.   |
| Focus on Corporate Goals                        | We strive to provide compensation that is directly related to the achievement of our corporate goals, which we measure through financial earnings, individual management objectives and free cash flow goals.   |
| Carefully Monitor External Market Practices     | We monitor market practices so that our programs reflect the realities of the competitive market to ensure we are paying for performance. At the same time, we must also ensure we can attract the top talent necessary to drive results through our diversified business strategy. |



TABLE OF CONTENTS**Executive Compensation Best Practices**

Highlighted below are certain executive compensation practices that we employ in order to align executive compensation with stockholder interests. Also listed below are certain compensation practices that we do not employ because we do not believe they would serve our stockholders' long-term interests.

|  |   |
|--|---|
|  |   |
| We Pay for Performance                                     | We tie a significant portion of our executives' annual pay opportunity to objective performance metrics and continue to monitor our pay mix to ensure the performance-based portion is consistent with that of our peers.   |
| We Target Pay Competitively                                | We seek to target compensation within a competitive range of the market median and only deliver greater compensation when warranted by actual superior performance. Conversely, we deliver lower compensation when performance results do not meet our threshold expectations. We review our pay and performance alignment compared to our peers annually to understand where our programs are working and where we can continue to make improvements.  |
| We Enforce Executive Stock Ownership Guidelines            | Each of our executives is expected to own shares of the Company's common stock with a value ranging from one to six times the executive's base salary, depending on position.   |
| We Utilize Meaningful Vesting Conditions for Equity Awards | Equity awards, including performance-based awards, have three-year ratable vesting periods from the date of grant.  |
| We Impose a Clawback Policy                                | We can recover any performance-based cash or equity award where, as a result of an accounting restatement, the performance goals were later determined not to have been achieved. In addition, we can recover equity awards made to an employee in cases where the Company has to prepare an accounting restatement due to the material noncompliance by the Company with financial reporting requirements and the restatement is the result of misconduct that resulted from the employee knowingly having engaged in that misconduct, the employee's gross negligence, or the employee knowingly or through gross negligence having failed to prevent misconduct. |
| We Utilize an Independent Compensation Consulting Firm     | The Compensation Committee utilizes Willis Towers Watson, an independent compensation consulting firm, to assist the Committee in determining compensation.   |
| We Don't Permit Hedging                                    | We prohibit our directors and employees, including our NEOs, from engaging in short sales, transactions in derivative securities (including put and call options), or other forms of hedging and monetization transactions, such as zero-cost collars, equity swaps, exchange funds and forward sale contracts, that allow the holder to limit or eliminate the risk of a decrease in the value of our securities.  |
| We Don't Permit Pledging                                   | We prohibit our directors and officers, including our NEOs, from holding our securities in margin accounts, pledging our securities as collateral or maintaining an automatic   |

|  |   |
|--|---|
|  | rebalance feature in savings plans, deferred compensation or deferred fee plans, to avoid sales of our securities on behalf of an individual related to margin calls, loan defaults and automatic rebalances, which may occur when the individual has material nonpublic information regarding the Company. |
| We Don't Offer Single-Trigger Change of Control Payments | For those NEOs who have employment agreements, the agreements provide that in the case of a change of control the NEO only receives severance payments in connection with a termination of their employment.  |
| We Provide Only Limited Tax Gross-Ups                    | We do not provide for tax gross-up payments for a change of control in employment agreements, or for other benefits, with the exception of gross ups related to housing benefits for executive officers who are members of the leadership team at American Public University System, Inc.                   |

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**COMPETITIVE COMPENSATION AND PEER GROUP REVIEW**

**50<sup>th</sup>** The Compensation Committee's general intent is to set each NEO's base salary near the 50<sup>th</sup> percentile of the survey data received from the Compensation Committee's independent consultant.

Our executive compensation policies are designed to assist us in attracting and retaining qualified executives by providing competitive levels of compensation that are consistent with the executives' alternatives within the for-profit education industry and the broader market for executive talent. It is the Compensation Committee's general intent that each NEO's base salary should be set within a competitive range of the 50<sup>th</sup> percentile of the survey data received from the Committee's independent consultant, with appropriate adjustments to reflect the specific situation of each NEO, including how their roles may differ from those at other companies. The Committee believes that the 50<sup>th</sup> percentile for base salary is appropriate to remain competitive with the companies with which the Company competes for executive talent. Consistent with the approach to base salary, the Compensation Committee believes that target annual incentives should be structured so that target total cash compensation (base salary plus annual incentives) approximates the 50<sup>th</sup> percentile of the survey data for achievement of target performance goals under the annual incentive plan. Each NEO has the opportunity to receive a stretch payment for superior performance if stretch performance goals are achieved under the plan. Conversely, the possibility for below target payment or no payment at all exists for below target or below threshold performance if performance goals are not achieved. The Compensation Committee believes that these opportunities for base salary and target annual incentive pay are in line with competitive market levels and are appropriate if our NEOs achieve the targeted level of performance.

For 2017, the Compensation Committee continued its prior engagement of Willis Towers Watson as an independent consultant to the Committee. Willis Towers Watson provided information on competitive levels of compensation that was used by the Committee in determining 2017 compensation, including information on base salary, annual incentives, equity awards and total compensation.

As part of the analysis of APEI's compensation program, Willis Towers Watson provided data from the following published surveys as a primary source: the *2016 Willis Towers Watson CDB General Industry Survey Report*; the *2016 Willis Towers Watson Data Services Top Management Survey*; and the *2015-2016 College and University Professionals Association for Human Resources Administrators in Higher Education Salary Survey*. Because of the variance in size among the companies included in the databases for the published surveys, Willis Towers Watson informed the Compensation Committee that, to the extent possible, it had assessed the published survey data in the context of APEI's projected fiscal year 2017 revenue, as revenue responsibility is typically one of the most reliable predictors of executive pay.

In addition to published survey data, Willis Towers Watson also examined publicly filed proxy statements of select industry-specific peers.

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## **Assessing Competitive Practice**

The Compensation Committee also reviewed, with the guidance and input of Willis Towers Watson, a group of companies against which we compare compensation, which we refer to as our peer group. The companies in the peer group were originally selected because the Committee considered them to be similar to and competitive with us in the market for executive talent, and because they are in comparable or related businesses (e.g., focus on secondary education and online access). For 2017, the group did not change from what it had been the prior three years, and it consisted of the following companies:

Bridgepoint Education, Inc.;;  
Capella Education Company;  
Grand Canyon Education, Inc.;;  
Lincoln Educational Services Corporation;  
National American University Holdings, Inc.;;  
Strayer Education, Inc.;; and  
Universal Technical Institute, Inc.

The review of the peer group only included comparative information for Dr. Boston and Mr. Sunderland, as the peer group information either did not identify executives at comparable positions for the other NEOs, or the applicable NEOs were not executive officers at the time that compensation was set for 2017.

The comparative data provided by Willis Towers Watson included survey data for each of the NEOs, and was used in connection with our determinations of base salaries, target annual incentive compensation and equity incentive awards as part of the 2017 compensation setting process, as described below. For those executives for whom both survey data and peer group data are available, the Compensation Committee uses the survey data for its primary comparisons because we believe, consistent with the advice of Willis Towers Watson, that the survey data is more robust and provides a better comparison for the Company than the peer group data. This is in part because peer group data is more limited and typically cannot be size-adjusted to account for revenue responsibilities. Notwithstanding that the survey data is the primary source of comparative information, we believe the peer group is still important as a secondary review of the competitive market for executive talent.

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**ELEMENTS OF COMPENSATION**

The compensation program for our NEOs is comprised of three elements: base salary; annual incentive cash compensation; and long-term equity incentives.

| Pay Element   | How It Links To Performance   |
|---|---|
| <b>BASE SALARY</b>  |   |
| Regular, fixed element of compensation.   |   |
| Reviewed annually.  | Intended to be part of a total compensation package that is competitive.  |
| Generally set near the 50 <sup>th</sup> percentile of the survey data received from the Compensation Committee's independent consultant.  | Reflects each NEO's individual role and responsibility.   |
| <b>ANNUAL INCENTIVE CASH COMPENSATION</b>   |   |
| Provides cash incentives for achieving and surpassing corporate goals.  |   |
| Offers the opportunity for NEOs to earn:  | Provides compensation for annual performance.   |
| annual payments for achievement of earnings targets; and  | Helps to focus executives on corporate financial, strategic and operational goals, which are expected to lead to increased stockholder value.   |
| annual payments for individual management objectives ( MBO s).  | This focus is enhanced through an additional incentive that pays an additional amount to NEOs for superior performance, which is referred to as the stretch portion of the annual incentive plan. |
| Structured so that target total cash compensation (base salary plus annual incentives) generally approximates the 50 <sup>th</sup> percentile of the survey data for achievement of target performance goals under the annual incentive plan. |   |

LONG-TERM EQUITY INCENTIVES

|   |   |
|---|---|
| Annual grants of equity awards comprising restricted stock and performance-based deferred stock units.  | Provides compensation that is tied to longer-term performance.  |
| All awards vest over three years.   | Intended to align the interests of the NEOs with those of our stockholders.   |
| Performance-based deferred stock units tied to 2017 achievement of free cash flow.  | Time-based vesting aids in the retention of NEOs.   |
| Generally set to be consistent with the 50 <sup>th</sup> percentile of the survey data received from the Compensation Committee's independent consultant. | Free cash flow performance measures align with a metric that is relevant to the achievement of our long-term strategic goals, including with respect to having available capital to pursue strategic initiatives. |

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### **2017 COMPENSATION DECISIONS**

In setting base salary, annual incentive cash compensation and long-term equity incentives for 2017, the Compensation Committee considered the compensation levels for our NEOs in 2016, the respective performances of each of our NEOs in 2016, and what the Compensation Committee believed was required based on the marketplace for executive talent, including based on the information provided by Willis Towers Watson. The Committee also considered the results of the annual advisory vote on the compensation of named executive officers. In 2016, approximately 98% of the stockholder votes cast on this proposal were voted in favor of our executive compensation proposal, which was the most recent shareholder vote before we set our 2017 compensation. In 2017, approximately 98% of the stockholder votes cast on this proposal were voted in favor of our executive compensation proposal. Given the extremely high level of support reflected in these votes, the Committee concluded that the results of these votes did not indicate a reason to make changes to its compensation setting decisions.

### **Base Salary**

Base salary is an integral part of compensation for our NEOs and is generally set in January of each year, absent other factors, such as promotions or new hires. For 2017, the Compensation Committee increased Dr. Boston's base salary by approximately 2%, resulting in a salary that was slightly above the 50<sup>th</sup> percentile of the survey data and at the 50<sup>th</sup> percentile of the peer group proxy data. The Committee concluded that an increase was appropriate, including after taking into account that Dr. Boston had not received a base salary increase in 2016, that his tenure as our CEO was relatively long and that 2% was the percentage increase generally used at the Company in 2017 for senior leaders who were performing well but did not have a significant change in job responsibilities or other factors that would lead to a more sizable increase.

The base salaries for the remainder of the NEOs increased by approximately 2%, 1.3%, 16%, and 15% for Mr. Sunderland, Dr. Powell, Mr. Beckett and Ms. Panzarella, respectively. The increase for Mr. Sunderland reflected the Compensation Committee's view of his strong performance, the general percentage increase generally used at the Company for executives, and that he was already compensated relatively well relative to the data provided by Willis Towers Watson. Mr. Sunderland's base salary placed him between the 50<sup>th</sup> and 75<sup>th</sup> percentiles of the survey data, and competitive with the 50<sup>th</sup> percentile of the peer group data. For Dr. Powell, the Committee took into account that it was appropriate for Dr. Powell to have a smaller increase than those generally made for Company employees because her salary had relatively recently been increased significantly in the middle of 2016 in connection with her appointment as President of APUS, which increase was consistent with the range of salaries that had been used for the national search that was undertaken in the search for a new President. Dr. Powell's base salary resulted in being between the 50<sup>th</sup> and 75<sup>th</sup> percentile of the survey data. The increases in Mr. Beckett's and Ms. Panzarella's base salaries were made in recognition of their relatively recent elevations to the level of senior vice president, and also took into account their respective tenure and the scope of their roles. These increases left them both below the 50<sup>th</sup> percentile of the survey data.

Dr. Boston recommended the amounts of the increases for all of the NEOs other than himself, and the Committee concurred, determining that the levels Dr. Boston recommended were appropriate.

### **Annual Incentive Cash Compensation**

We believe annual incentive pay furthers our compensation philosophy and objectives by focusing our NEOs on corporate strategic, financial, and operational goals. The opportunity for annual incentive pay for our NEOs is expressed as a percentage of base salary as follows:

| Position        | Target Annual Incentive<br>(as % of Base Salary) |
|-----------------|--|
| President & CEO | 90%  |
| All Other NEOs  | 50%  |

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These percentages for Dr. Boston, Mr. Sunderland and Dr. Powell reflected the minimum percentages set forth in their employment agreements. After considering the survey data information and the individual performance of the executives, the Compensation Committee believed, in its subjective, but informed, judgment, that these percentages for all of the NEOs should remain the same for 2017, including, with respect to Mr. Beckett and Ms. Panzarella. Dr. Boston's annual incentive target is set at a higher percentage than those of the other NEOs, which is consistent with overall market practice and reflects his role as President and CEO.

Overall, the Compensation Committee believes that the proportion of target annual incentive pay to target total cash compensation (base salary plus target annual incentive pay) for our NEOs should be a relatively high percentage. It is the Committee's general intent, as discussed above, that each NEO's base salary should be set near the 50<sup>th</sup> percentile of the survey data received from the Committee's independent consultant, and that target annual incentives should be structured so that target total cash compensation approximates the 50<sup>th</sup> percentile of the survey data for achievement of target performance goals under the annual incentive plan. We believe that positioning at the 50<sup>th</sup> percentile is appropriate for target total cash compensation because of the high level of performance that we believe is required from our executives in order for the Company to achieve our performance targets. We believe the high percentage of compensation tied to incentive pay increases the focus of our NEOs on achieving our performance goals.

We further enhance this focus through a stretch incentive that pays an additional amount to our NEOs for superior performance, which we refer to as the stretch portion of the annual incentive plan. This additional amount, if achieved, provided an opportunity to Dr. Boston of an additional 45% of his base salary (for 135% of base salary in total maximum incentive potential), an opportunity to Mr. Sunderland and Dr. Powell of an additional 30% of each of their respective base salaries (for 80% of base salary in total maximum incentive potential) and an opportunity to Mr. Beckett and Ms. Panzarella of an additional 20% of each of their respective base salaries (for 70% of base salary in total maximum incentive potential).

The Compensation Committee intended that performance under the NEOs' annual incentive awards at both the target and stretch incentive levels would be based on achieving and surpassing a financial performance goal and achievement of MBOs. We believe that a split among goals is important to reflect our belief that our NEOs should be focused on both an earnings goal and also on specific goals that are relevant to their specific positions and responsibilities and that are largely derived from important strategic and operating plan goals. We believe this split encourages a focus on multiple metrics of performance rather than focusing on one particular metric of performance to the exclusion of others that are also important to our results. Unlike in prior years, the Committee determined that a threshold level of financial performance would not be required before any amounts could be paid out for personal MBO goals.

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The following charts shows the breakdown between the financial goal and the MBO goals for each NEO, including how they relate to the target and stretch portions of each NEOs potential awards. The charts also show the amount of payout for 2017 of each portion of the annual incentive plan. The discussion that follows the charts focuses on the financial goal and the MBO goals.

|                   | Portion of Annual Incentive Plan              | Weighting of Performance Goals          | Opportunity      | Actual Payout |
|-------------------|---|---|------------------|---------------|
| <b>Dr. Boston</b> | Target award equivalent to 90% of base salary | 70% based on financial performance goal | \$465,500        | \$0           |
|                   |   | 20% based on annual MBO goals           | \$133,000        | \$79,800      |
|                   | Stretch award equivalent to 45% of salary     | 35% based on financial performance goal | \$232,750        | \$0           |
|                   |   | 10% based on annual MBO goals           | \$66,500         | \$0           |
|                   |   | <b>Total Opportunity:</b>               | <b>\$897,750</b> | <b>Total:</b> |

|                       | Portion of Annual Incentive Plan              | Weighting of Performance Goals          | Opportunity | Actual Payout |
|-----------------------|---|---|-------------|---------------|
| <b>Mr. Sunderland</b> | Target award equivalent to 50% of base salary | 40% based on financial performance goal | \$161,200   | \$0           |
|                       |   | 10% based on annual MBO goals           | \$40,300    | \$32,340      |
|                       | Stretch award equivalent to 30% of salary     | 20% based on financial performance goal | \$80,600    | \$0           |
|                       |   | 10% based on annual                     | \$40,300    | \$0           |

MBO goals

**Total  
Opportunity:  
\$322,400**

**Total:  
\$32,240**

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|                    | Portion of Annual Incentive Plan              | Weighting of Performance Goals          | Opportunity                         | Actual Payout          |
|--------------------|---|---|-------------------------------------|------------------------|
| <b>Dr. Powell</b>  | Target award equivalent to 50% of base salary | 40% based on financial performance goal | \$152,000                           | \$0                    |
|                    |   | 10% based on annual MBO goals           | \$38,000                            | \$13,300               |
|                    | Stretch award equivalent to 30% of salary     | 20% based on financial performance goal | \$76,000                            | \$0                    |
|                    |   | 10% based on annual MBO goals           | \$38,000                            | \$0                    |
|                    |   |   | <b>Total Opportunity: \$304,000</b> | <b>Total: \$13,300</b> |
|                    | Portion of Annual Incentive Plan              | Weighting of Performance Goals          | Opportunity                         | Actual Payout          |
| <b>Mr. Beckett</b> | Target award equivalent to 50% of base salary | 40% based on financial performance goal | \$110,000                           | \$0                    |
|                    |   | 10% based on annual MBO goals           | \$27,500                            | \$27,500               |
|                    | Stretch award equivalent to 20% of salary     | 15% based on financial performance goal | \$41,250                            | \$0                    |
|                    |   | 5% based on annual MBO goals            | \$13,750                            | \$0                    |
|                    |   |   | <b>Total Opportunity: \$192,500</b> | <b>Total: \$27,500</b> |



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|                       | Portion of Annual Incentive Plan              | Weighting of Performance Goals          | Opportunity               | Actual Payout |
|-----------------------|---|---|---------------------------|---------------|
| <b>Ms. Panzarella</b> | Target award equivalent to 50% of base salary | 40% based on financial performance goal | \$80,000                  | \$0           |
|                       |   | 10% based on annual MBO goals           | \$20,000                  | \$17,500      |
|                       | Stretch award equivalent to 20% of salary     | 15% based on financial performance goal | \$30,000                  | \$0           |
|                       |   | 5% based on annual MBO goals            | \$10,000                  | \$0           |
|                       |   |   | <b>Total Opportunity:</b> | <b>Total:</b> |
|                       |   | <b>\$140,000</b>                        | <b>\$17,500</b>           |               |

*Financial Performance Goal.* For 2017, the Compensation Committee continued its practice of providing that the portion of each NEOs annual incentive plan award that relates to financial performance would be based on achieving and surpassing a specified amount of earnings per share after taking into account any payment under the annual incentive plan.

| Financial Performance Metric      | Performance Goals |         |                   |
|-----------------------------------|-------------------|---------|-------------------|
|                                   | Threshold         | Target  | Stretch (Maximum) |
| <b>Earnings per Diluted Share</b> | \$ 1.46           | \$ 1.62 | \$ 1.78           |

The Compensation Committee specified target earnings per share of \$1.62, which reflected the earnings per share in the Company's budget when approved by the Board of Directors. For 2017, the Committee also specified that 50% of the target amount would be paid if an earnings per share threshold of \$1.46 was attained, which would reflect 90% achievement of the target level, which the Committee thought was a level of achievement that would still require effort for the Company to achieve. The Committee determined that it was appropriate to provide an incentive at a threshold level because it would provide an annual incentive that reflected the positive performance of the Company and the contributions of the Company's employees and NEOs. The Committee provided that the stretch portion of the annual incentive plan related to financial performance would be payable on earnings per share of \$1.78, which would reflect 110% achievement of the target level. This level of achievement was viewed as representing exceptional performance for which management should be rewarded.

For 2017, the threshold level was not achieved on a GAAP basis, and no payouts were made for the portion of the

annual incentive plan that was based on financial performance.

*MBO Goals.* MBOs are based on company-wide performance goals consistent with our strategic plan for which executives are directly responsible, or to whose success they contribute, and provide personal accountability in addition to rewards for Company performance. However, many MBO targets are shared between executives to reflect that executives must work together to achieve results. By focusing on goals consistent with our strategic plan, the MBOs are intended to focus the executives on goals that will deliver long-term stockholder value. We believe that the MBOs help to keep management from focusing solely on the current year's financial results, which are covered by other parts of the annual incentive plan, because many of the MBOs represent our view of key actions required to capture future market opportunities and help prepare the Company for continued growth and improvement in the future.

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In establishing our MBOs for 2017, we set goals that were consistent with our strategic, financial and operational plans, and were set with the opportunity to pay out minimum, target and stretch amounts. Achievement at the minimum level represents strong performance and would result in payout of 50% of the target amount, achievement at the target level represents superior performance and would result in payout of the target amount, and achievement at the stretch level represents a level of excellent performance and would result in payout of the target and stretch amounts. When setting the stretch MBO goals, the Compensation Committee did not believe that it was likely that an executive would achieve all of his or her MBOs at the stretch level. Furthermore, for 2017, the Compensation Committee provided that no payments would be achieved for MBO performance above target unless the threshold was achieved on the financial portion of the annual incentive plan.

The 2017 MBOs for Dr. Boston, consistent with his role as our Chief Executive Officer, are set forth below.

Financial Performance/Managing to Budget: Achieve financial performance reflecting revenue and profit margins consistent with the 2017 budget.

Achieving Academic Excellence: Achieve accreditation milestones and deliverables for both APUS and HCN.

Driving Long-Term Growth and Value: Achieve levels of starts and new students consistent with budgeted amounts. Provide deliverables with respect to a competitive pricing model for APUS and HCN, as well as a non-organic growth strategy for APEI. Achieve the opening of a new campus for HCN and hire a permanent CEO.

Driving Organizational and Operational Excellence: Complete the ongoing realignment of APUS, hire additional leaders for the organization, execute on a Board-approved Information Technology strategic plan, and monitor and take appropriate with respect to the Risk Management Plan and ensure robust controls.

Company Values: Foster a culture and practice of innovation, quality and respect, and take concrete actions, including rolling out a new Code of Conduct to all employees.

The 2017 MBOs for Mr. Sunderland, consistent with his role as our Chief Financial Officer, are set forth below.

Financial Performance/Managing to Budget (20% weighting): Achieve financial performance reflecting revenue and profit margins consistent with the 2017 budget.

Organizational Realignment (30% weighting): Produce finance related deliverables related to the proposed reorganization of APUS and implementation of a shared services model.

Finance Related Processes (30% weighting): Develop and implement a plan with respect to the accounting department's technical competence and adopt additional processes with respect to projections and related matters.

Company Values (20% weighting): Foster a culture and practice of innovation, quality and respect, and take concrete actions, including rolling out a new Code of Conduct to all employees.

The 2016 MBOs for Dr. Powell, consistent with her role as President of APUS, are set forth below.

Achieving Academic Excellence (30% weighting): Achieve accreditation milestones and deliverables for APUS.

Driving Long-Term Growth and Value (40% weighting): Achieve levels of starts and new students consistent with budgeted amounts. Prove deliverables with respect to a competitive pricing model for APUS and HCN, as well as a non-organic growth strategy for APEI. Achieve the opening of a new campus for HCN and hire a permanent CEO.

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**Financial Performance/Managing to Budget (10% weighting):** Achieve financial performance reflecting revenue and profit margins consistent with the 2017 budget.

**Company Values (20% weighting):** Foster a culture and practice of innovation, quality and respect, and take concrete actions, including rolling out a new Code of Conduct to all employees.

The 2017 MBOs for Mr. Beckett, consistent with his role as our General Counsel, are set forth below.

**Organizational Realignment (33% weighting):** Support proposed reorganization of APUS and implementation of a shared services model by engaging and managing a consultant, developing an implementation plan, and supporting the update and finalization of a realignment cost model.

**Enterprise Risk Assessment and Cybersecurity (33% weighting):** Implement enterprise risk assessment software program. Support completion of insider threat program. Support continued rollout of security awareness program. Conduct testing of Incident Response Plan with information technology group. Attend a cybersecurity professional development event or seminar.

**Company Values (34% weighting):** Foster a culture and practice of innovation, quality and respect, and take concrete actions, including rolling out a new Code of Conduct to all employees.

The 2017 MBOs for Ms. Panzarella, consistent with her role as our Senior Vice President, Human Resources and Community Affairs, are set forth below

**Organizational Realignment (25% weighting):** Produce human resources related deliverables related to the proposed reorganization of APUS and implementation of a shared services model.

**Talent Acquisition/Succession Planning (25% weighting):** Create and execute a strategic talent acquisition and succession plan.

**Community Outreach (25% weighting):** Assess and organize the APEI/APUS community giving program.

Determine feasibility of a corporate volunteer program and launch program if appropriate.

**Company Values (25% weighting):** Foster a culture and practice of innovation, quality and respect, and take concrete actions, including rolling out a new Code of Conduct to all employees.

In reviewing the MBOs for each executive officer, the Compensation Committee met with Dr. Boston. After discussions with Dr. Boston, the Committee concluded that his MBOs in total were met at the 60% level. Unlike for the other executive officers, the Committee did not rely on specific weightings of Dr. Boston's MBOs for 2017 because the Committee wanted the ability to make downward adjustments, if appropriate, to reflect overall performance. In reaching its conclusion with respect to the level of achievement for Dr. Boston, the Committee determined that his first MBO was not met, that he had partial achievement of the second MBO, substantial achievement of the third and fourth MBOs and full achievement of the final MBO. The payouts approved by the Committee for the MBOs of the NEOs are set forth in the tables above, and reflect that the Compensation Committee provided that no payments would be achieved for MBO performance above target unless the threshold was achieved on the financial portion of the annual incentive plan.

## **Equity Incentives**

We believe that a significant portion of our NEOs' total compensation should be in the form of equity awards in order to align the priorities of the NEOs with the interests of our stockholders. In 2017, as in 2016, the equity awards were split 60% as time-based restricted stock and 40% as performance-based deferred stock units.

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The Committee also continued to use free cash flow as the performance measure for the performance-based deferred stock unit awards in 2017. Free cash flow was originally selected in 2013 after:

consulting with Willis Towers Watson;  
 reviewing measures that are used by others in the Company's industry;  
 evaluating metrics that are important to investors; and

reflecting upon a desire to avoid using an earnings measure similar to what was used for the financial portion of the annual incentive plan.

Prior to using free cash flow for 2017, the Compensation Committee reevaluated each of these points and confirmed that it remained appropriate to use free cash flow as the metric for these awards. Free cash flow, which is a non-GAAP measure, is defined as income from operations before income taxes *plus* interest expense *less* interest income *plus* depreciation and amortization *less* capital expenditures *less* capitalized program development costs. The 2017 free cash flow goals were set as follows:

|                            | Threshold          | Target              | Stretch<br>(Maximum) |
|----------------------------|--------------------|---------------------|----------------------|
| Free Cash Flow Goal        | \$37,223,200       | \$46,529,000        | \$55,834,800         |
| Percentage of Award Earned | 50% (of<br>target) | 100% (of<br>target) | 200% (of<br>target)  |

The threshold level was established at 80% of the target level and the stretch level was set at 120% of the target level in 2017. These numbers reflected the Compensation Committee's view of appropriate performance, and in the case of the target level was increased from the percentage used in 2016, which was 110% of target. For a level of free cash flow between the applicable dollar amounts set forth above, the percentage of the award earned would be prorated accordingly. For 2017, free cash flow was \$42,217,000 after an adjustment of \$2,093,000 for the non-cash impairment of certain assets and an adjustment of \$1,277,000 for the costs associated with the departure of Dr. Powell. The result was achievement of the free cash flow target at 90.7% of the budgeted amount, which was below the target goal, but above the threshold, and resulted in 76.75% of the target awards being earned. The award earned is further subject to time-based vesting, in order to continue to provide a retention element and to encourage executives to focus on the long-term performance of the Company.

In determining the appropriate level of 2017 equity incentive grants for our NEOs, the Compensation Committee reviewed comparative survey information provided by Willis Towers Watson. The Committee considered the survey data and determined that awards that were consistent with the 50<sup>th</sup> percentile of the survey data for its executive vice presidents and higher would be appropriate to recognize performance and remain competitive with comparable companies. Mr. Beckett and Ms. Panzarella both received the same size equity award, which for Mr. Beckett was meaningfully below the 50<sup>th</sup> percentile and for Ms. Panzarella was consistent with the 50<sup>th</sup> percentile. In 2017, executives at each level below the EVP level all received the same size equity awards as others at their level, regardless of their specific position. This practice was historically used to promote equitable treatment at each level. The size of the SVP award for 2017, which is the award that Mr. Beckett and Ms. Panzarella received, was based on a percentage of an average SVP salary, where the percentage was slightly lower than market practice for Mr. Beckett's position and the average salary was also lower than his salary.

The sizes for the equity incentive awards were discussed at the same time the Committee met to set the other elements of compensation so that all elements of compensation were set taking into account the total compensation package.

After determining the dollar value of equity incentive awards, the Committee calculated the number of shares to be

subject to the awards using a 60-day rolling average for the Company's stock price as of a date shortly before the Committee met to approve the grants. The Compensation Committee believes that doing so removed some of the variability that can impact awards if it were to use the stock price on only one date.

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Consistent with historical practice, the restricted stock awards and the performance-based deferred stock units vest in three equal installments on the first three anniversaries of the grant date, subject to achievement of performance metrics for the performance-based deferred stock units.

In advance of the setting the 2017 equity incentive awards, the Compensation Committee considered and approved an equity retirement policy. The equity retirement policy provides for accelerated vesting at retirement of any (i) time-based awards and (ii) subject to the achievement of the applicable performance measure, performance-based awards that were granted at least one year prior to the date of retirement. The equity retirement policy only applies to employees who have (i) voluntarily terminated service, (ii) reached an age of 62 years, and (iii) provided at least 10 years of service to the Company. In concluding that it was appropriate to adopt the equity retirement policy, the Committee considered practices in industry generally and among the Company's peer group, as well as the advice of Willis Towers Watson.

### **OTHER COMPENSATION POLICIES AND PRACTICES**

#### **Employment Agreements and Post-Termination Compensation**

We have entered into employment agreements with Dr. Boston, Mr. Sunderland, and Dr. Powell. These agreements provide the executive with severance payments upon certain terminations, including termination without cause, termination by the executive for good reason in the event of a change of control, or if the executive's employment agreement is not assumed by a successor entity in a change of control. The agreements provide for certain payments in connection with a termination of the executives' employment within six months of a change of control of the Company. We believe that these agreements were necessary to attract some of our NEOs and help to retain these NEOs due to the prevalence of similar arrangements in the market in which we compete for executives.

In 2007, prior to the time that we were a public company, we entered into an amendment and restatement of our employment agreement with Dr. Boston to provide for additional severance payments for termination without cause or by Dr. Boston for good reason in connection with a change of control and to provide that if severance payments payable by us become subject to the excise tax on excess parachute payments, we would reimburse Dr. Boston for the amount of such excise tax (and the income and excise taxes on such reimbursement). We entered into the amended and restated agreement in anticipation of our initial public offering to provide Dr. Boston with what at the time we concluded were prevalent practices in the marketplace in which we compete for executives, and because as a public company we wanted him to be able to focus on our operations and not be distracted by his personal situation in the event a change of control transaction arose, and to reflect his long-term commitment to us and our long-term commitment to him as our Chief Executive Officer. We further amended the employment agreement with Dr. Boston in December 2008 to provide for technical compliance with certain Department of the Treasury regulations. We entered into the initial employment agreement with Dr. Powell in 2011 in connection with her appointment as Provost of APUS.

In 2013, the Compensation Committee requested and received an assessment from Willis Towers Watson on the terms contained in Dr. Boston and Dr. Powell's employment agreements and comparisons to market practice and our peer group. The Committee then negotiated amendments to these employment agreements in 2014, including eliminating any reimbursement for excise taxes from the employment agreements, and also authorized negotiating an employment agreement with Mr. Sunderland on substantially the same terms as the agreements with our other NEOs. The Committee determined it was appropriate to have an employment agreement with Mr. Sunderland in an effort to treat him similarly to other executives, to retain him and to obtain his agreement to be subject to post-employment non-competition and non-solicitation terms with which he otherwise would not have had to comply. The amendments to Dr. Boston's employment agreement were entered into in April 2014. The amendments to Dr. Powell's employment

agreement and the new employment agreement with Mr. Sunderland were entered into in August 2014. Dr. Boston and Dr. Powell's employment agreements were further amended in July 2016 in connection with Dr. Powell's appointment as President of APUS, including to increase Dr. Boston's annual incentive opportunity and Dr. Powell's base salary, respectively.

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On October 15, 2017, Dr. Powell retired from her position as President of APUS and agreed to consult with the Company after her retirement until June 30, 2018 (the Consulting Term), particularly relating to supporting the transition to a new President of APUS, representing APUS in the higher education community as an advocate, and providing guidance on accreditation-related matters as requested. In connection with Dr. Powell's retirement, she and the Company entered into a letter agreement dated September 28, 2017 to formalize the terms of her departure. Dr. Powell's departure from the Company was treated as a termination of employment by APUS other than for cause or disability and she was entitled to the benefits provided for in her employment agreement in that circumstance, as modified by the terms of her letter agreement. For more details on the terms of Dr. Powell's letter agreement and the amounts paid and payable to Dr. Powell in connection with her retirement, see Potential Payments Upon Termination or Change in Control.

In 2017, at the recommendation of the Compensation Committee, the Board of Directors of the Company, adopted the American Public Education, Inc. Executive Severance Plan (the Executive Severance Plan). The Committee recommended the adoption of the Executive Severance Plan in order to provide severance benefits to Senior Vice Presidents of the Company that are designated by the Committee without having to adopt individual employment or severance agreements. The Committee concluded that a severance arrangement for the designated participants was appropriate in order to help retain these executives. In concluding it was appropriate to adopt the Executive Severance Plan, the Committee considered practices in industry generally and among the Company's peer group, as well as the advice of Willis Towers Watson. The Committee also considered that the Executive Severance Plan requires as a condition to receiving benefits that each participant must comply with covenants not to compete with the Company and its affiliates and not to solicit employees of the Company or its affiliates, in each case during the term of employment and for a period of 12 months thereafter. In addition, in order to receiving severance benefits, a participant must agree to release all claims against the Company and its affiliates and their respective officers and directors.

For additional information regarding these agreements, including a quantification of benefits that would be received by these officers had termination occurred on December 31, 2017, see the section titled Potential Payments upon Termination or Change in Control below.

## **Non-Qualified Deferred Compensation**

The Company maintains a non-qualified deferred compensation plan in which our executive officers are permitted to participate. The Internal Revenue Code limits the amount of matching contributions that we can contribute to our traditional 401(k) plan for the benefit of our executives. The deferred compensation plan provides that we will make an annual matching contribution to plan participants in an amount equal to the difference between the matching contribution that the participant would have received under our 401(k) plan if those limitations under the Internal Revenue Code did not apply and the matching contribution that the employee actually received under our 401(k) plan. The balances in the plan are only available for investment in investment options that are also available under our 401(k) plan. We believe that it is fair to provide this plan to our executives because absent the limitations under the Internal Revenue Code, they would have otherwise received these amounts. The plan also permits us, but does not require us to, make additional, discretionary contributions. We did not make any discretionary contributions in 2016.

## **Effect of Accounting and Tax Treatment on Compensation Decisions**

Section 162(m) of the Internal Revenue Code of 1986, as amended, generally imposes a \$1 million limit on the amount that a public company may deduct for compensation paid to a company's CEO or any of the company's three other most highly compensated executive officers (other than the CFO) who are employed as of the end of the year.

The Tax Cuts and Jobs Act of 2017 eliminated certain exceptions to this limitation for qualifying performance-based compensation (i.e., compensation paid only if the individual's performance meets pre-established objective goals based on performance criteria approved by stockholders) that is established by a Compensation Committee that consists only of outside directors as defined for purposes of Section 162(m), except with respect to certain agreements in effect on November 2, 2017 (the 162(m) Grandfather ). The

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Committee expects that in the future it will authorize compensation arrangements that will not be fully deductible under 162(m) in situations where it believes such arrangements may be appropriate.

### **Limited Perquisites and Limited Tax Gross-Ups**

As an online academic institution, APUS has deans, program directors, faculty members and others who live at great distance from our headquarters in Charles Town, West Virginia. As a result and because Charles Town has relatively limited options compared to what would be available if our headquarters were in a larger city, APUS has housing available for the use of visitors when they are visiting Charles Town. We allow members of the APUS leadership team the opportunity to also utilize university housing when they are staying overnight in Charles Town, even if that is their principal place of business. In 2017, at the direction of the Board of Trustees of APUS, Dr. Powell took advantage of this benefit. While in 2017 the aggregate incremental cost to the Company to provide this benefit was relatively limited, the valuation for Dr. Powell's personal income tax purposes was significantly higher. Accordingly, the Compensation Committee authorized a payment to Dr. Powell to make her whole for the income taxes that she incurred with respect to her use of the housing in 2017. In 2017, in order that Dr. Boston could be more efficient and be able to work on his commute to Charles Town, we also provided Dr. Boston with the opportunity to utilize a car service for travel to and from Charles Town, in addition to other locations. We did not provide a gross-up to Dr. Boston for the personal income taxes he incurred as a result of this benefit.

### **Role of Executives in Executive Compensation Decisions**

Historically, our Chief Executive Officer has recommended to the Compensation Committee each element of compensation for all executive officers other than himself, and the Compensation Committee determines the target level of compensation for each executive officer.

The amount of each element of compensation for our Chief Executive Officer is determined by the Compensation Committee. Our Chief Executive Officer does not participate in deliberations relating to his own compensation. None of our other executive officers participates in any deliberations related to the setting of executive compensation.

### **CEO Pay Ratio**

As required by the Dodd-Frank Wall Street Reform and Consumer Protection Act, we are presenting the ratio of our Chief Executive Officer's annual total compensation to our median employee's annual total compensation.

In order to identify our median employee for purposes of calculating the ratio, we used the taxable wages for our approximately 2,800 employees as of December 31, 2017.

As set forth in the Summary Compensation Table appearing elsewhere in this proxy statement, the 2017 annual total compensation as determined under Item 402 of Regulation S-K for our Chief Executive Officer was \$1,966,675. The 2017 annual total compensation for our median employee was \$22,205. The ratio of our Chief Executive Officer's annual total compensation to our median employee's total compensation for 2017 is 89 to 1. This ratio was determined using reasonable estimates as permitted by the SEC's rules and should not be used as a comparison with pay ratios disclosed by other companies.





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## **COMPENSATION COMMITTEE REPORT**

THE FOLLOWING REPORT OF THE COMPENSATION COMMITTEE DOES NOT CONSTITUTE SOLICITING MATERIAL AND SHOULD NOT BE DEEMED FILED OR INCORPORATED BY REFERENCE INTO ANY OTHER FILING BY US UNDER THE SECURITIES ACT OF 1933 OR THE SECURITIES EXCHANGE ACT OF 1934, EXCEPT TO THE EXTENT WE SPECIFICALLY INCORPORATE THIS REPORT.

The Compensation Committee reviewed and discussed the above Compensation Discussion and Analysis required by Item 402(b) of Regulation S-K with the Company's management. Based on its review and discussions with the Company's management, the Compensation Committee recommended that the Compensation Discussion and Analysis be included in the Company's Proxy Statement and in the Company's Annual Report on Form 10-K (including by incorporation by reference to this Proxy Statement).

Compensation Committee (April 18, 2018)

MG (Ret) Barbara G. Fast, Chairperson

Eric C. Andersen

William G. Robinson, Jr.

TABLE OF CONTENTS**COMPENSATION TABLES AND DISCLOSURES****Summary Compensation Table**

| Name and Principal Position <sup>(1)</sup>   | Year | Salary <sup>(2)</sup> | Stock Awards <sup>(3)</sup> | Non-Equity Incentive Plan Compensation <sup>(4)</sup> | All Other Compensation <sup>(5)</sup> | Total        |
|--|------|-----------------------|-----------------------------|---|---------------------------------------|--------------|
| Wallace E. Boston, Jr.<br><i>President and Chief Executive Officer</i>                   | 2017 | \$ 665,000            | \$ 1,139,691                | \$ 79,800   | \$ 82,184                             | \$ 1,966,675 |
|  | 2016 | \$ 650,000            | \$ 1,131,225                | \$ 383,500  | \$ 60,621                             | \$ 2,225,346 |
|  | 2015 | \$ 650,468            | \$ 1,292,541                | \$  | \$ 26,019                             | \$ 1,969,028 |
| Richard W. Sunderland, Jr.<br><i>Executive Vice President, Chief Financial Officer</i>   | 2017 | \$ 403,000            | \$ 230,710                  | \$ 32,340   | \$ 32,010                             | \$ 698,060   |
|  | 2016 | \$ 393,269            | \$ 229,141                  | \$ 169,000  | \$ 19,853                             | \$ 811,263   |
|  | 2015 | \$ 350,000            | \$ 260,990                  | \$  | \$ 14,000                             | \$ 624,990   |
| Thomas A. Beckett<br><i>Senior Vice President, General Counsel and Secretary</i>         | 2017 | \$ 275,000            | \$ 92,884                   | \$ 27,500   | \$ 11,953                             | \$ 407,337   |
|  | 2016 | \$ 228,846            | \$ 92,213                   | \$ 125,580  | \$ 8,778                              | \$ 455,527   |
| Amy N. Panzarella<br><i>Senior Vice President, Human Resources and Community Affairs</i> | 2017 | \$ 200,000            | \$ 92,884                   | \$ 17,500   | \$ 17,721                             | \$ 328,105   |
|  | 2016 | \$ 161,007            | \$ 42,635                   | \$ 73,343   | \$ 8,319                              | \$ 285,304   |
| Karan Powell<br><i>Former President of APUS</i>  | 2017 | \$ 313,059            | \$ 263,888                  | \$ 13,300   | \$ 107,841                            | \$ 698,089   |
|  | 2016 | \$ 344,423            | \$ 129,750                  | \$ 182,122  | \$ 33,849                             | \$ 690,144   |
|  | 2015 | \$ 300,728            | \$ 173,300                  | \$  | \$ 12,029                             | \$ 486,057   |

(1) Information is provided for 2017 and 2016 only for Mr. Beckett and Ms. Panzarella because they were not NEOs in 2015.

(2) Values reflect the amounts actually paid to the NEOs in each year.

Amounts reflect the aggregate grant date fair value, computed in accordance with FASB ASC Topic 718, of restricted stock awards and restricted stock units, excluding estimates of forfeiture. A discussion of the relevant assumptions used in calculating these equity awards can be found in Notes 2 and 11 to the Consolidated Financial

(3) Statements in our Annual Report on Form 10-K for the year ended December 31, 2017. For this purpose, performance-based restricted stock units are valued assuming achievement at target, which was the probable outcome determined for accounting purposes at the time of grant. The target and maximum grant date values of performance share awards for 2017 are, as follows:

| Name                       | Grant Date Value<br>at Target<br>Performance | Grant Date Value at<br>Maximum<br>Performance |
|----------------------------|--|---|
| Wallace E. Boston, Jr.     | \$ 455,886                                   | \$ 911,772                                    |
| Richard W. Sunderland, Jr. | \$ 92,279                                    | \$ 184,559                                    |
| Thomas A. Beckett          | \$ 37,154                                    | \$ 74,307                                     |
| Amy N. Panzarella          | \$ 37,154                                    | \$ 74,307                                     |
| Karan Powell               | \$ 105,555                                   | \$ 211,110                                    |

(4) Amounts represent annual incentive payments paid pursuant to our annual incentive compensation plan based upon the achievement of performance goals established by our Compensation Committee.

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(5) Amounts include, but are not limited to, 401(k) contribution matches made by us and non-qualified deferred compensation plan continuation matches made by us in respect of 2017, as follows:

| Name                       | 401(k) Match | Non-Qualified<br>Deferred<br>Compensation<br>Plan Matching<br>Contribution |
|----------------------------|--------------|--|
| Wallace E. Boston, Jr.     | \$ 10,800    | \$ 31,117  |
| Richard W. Sunderland, Jr. | \$ 10,800    | \$ 12,068  |
| Thomas A. Beckett          | \$ 10,800    | \$ 5,154   |
| Amy N. Panzarella          | \$ 10,800    | \$ 135   |
| Karan Powell               | \$ 10,800    | \$ 0   |

For Dr. Boston, amount for 2017 also includes \$36,170 for utilization of a car service as well as payments in connection with the use of APUS housing in Charles Town, WV while attending to APUS-related matters. For Dr. Powell, amount for 2017 includes a payment of \$25,581 to make her whole for the income taxes that she incurred with respect to her use of APUS housing in Charles Town, WV and \$71,653 in payments related to Dr. Powell's departure from the Company, including for post-retirement consulting services. For more information about the payments related to Dr. Powell's departure from the Company, see Potential Payments Upon Termination or Change of Control.

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## 2017 Grants of Plan-Based Awards

The following table sets forth information with respect to grants of plan-based awards to our NEOs during 2017:

- These columns show the range of possible cash payouts for 2017 performance pursuant to our annual incentive plan. Actual amounts paid out pursuant to the plan are included in the Non-Equity Incentive Plan Compensation column of the Summary Compensation Table above. For a discussion of the performance goals established by the Compensation Committee for these awards, see the section titled Annual Incentive Cash Compensation in the Compensation Discussion and Analysis. The threshold amounts in this table represent the amounts that would have been paid if the threshold levels under each of the financial performance portion and the MBO portion of the annual incentive plan were achieved.
- These columns show the range of restricted stock units that could be earned based on 2017 performance pursuant to the performance-based restricted stock units granted in 2017. Restricted stock units earned vest over a three-year period. For a discussion of the performance goals established by the Compensation Committee for these awards, see the section titled 2017 Compensation Decisions Equity Incentives in the Compensation Discussion and Analysis.
- (3) This column shows the number of shares of restricted stock granted, which vest ratably over three years.
- (4) Amounts reflect the grant date fair value, computed in accordance with FASB ASC Topic 718.

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## **Narrative Disclosure to Summary Compensation Table and Grants of Plan-Based Awards Table**

### **Employment Agreements**

For each of our NEOs other than Mr. Beckett and Ms. Panzarella, the amounts disclosed in the tables above are in part a result of the terms of the NEOs' employment agreements. We do not have employment agreements with Mr. Beckett or Ms. Panzarella.

*Dr. Boston's Employment Agreement.* In June 2004, we entered into an employment agreement with Dr. Boston to serve as our president and Chief Executive Officer with an initial term of three years starting from June 21, 2004 and ending June 21, 2007, which was subsequently amended to provide for renewal until March 31, 2018 and automatically thereafter for additional one-year terms unless we give written notice of our intent not to renew at least 30 days prior to the renewal date. In December 2008, his employment agreement was amended to provide for technical compliance with certain U.S. Department of Treasury regulations. In April 2014, his agreement was amended and restated, in part to eliminate Dr. Boston's entitlement to tax gross-up payments in connection with a change in control. In May 2016, his agreement was again amended and restated, including to increase his annual incentive target and stretch incentive. Pursuant to his amended and restated agreement, Dr. Boston's base salary was set at \$650,000 per year, subject to annual review and adjustment by our Compensation Committee. Under the agreement, Dr. Boston's base salary may be reduced at any time as part of a general salary reduction to all employees with annual salaries in excess of \$150,000, provided, however, that any reduction shall be no more than the lesser of the median percentage salary reduction applied to such employees or 20%. Dr. Boston's employment agreement provides that he is entitled to participate in our annual incentive plan, under which he is eligible for an annual bonus of up to 90% of his base salary then in effect, and up to an additional 45% of his base salary as then in effect based upon the achievement of certain performance goals or certain stretch performance goals, respectively, as determined by the Compensation Committee.

In addition to a base salary and annual bonus, Dr. Boston is entitled to receive such other benefits approved by our Compensation Committee and made available to our other senior executives and to participate in plans and receive bonuses, incentive compensation and fringe benefits as we may grant or establish from time to time. Furthermore, under Dr. Boston's employment agreement, we are required to pay or reimburse him for customary and reasonable moving expenses he incurs in connection with any subsequent relocation of our executive offices. Dr. Boston has agreed not to compete with us nor solicit our employees for alternative employment during the term of his agreement and for a period of two years after termination for any reason.

Dr. Boston's base salary for 2017 and target annual incentive compensation plan award for 2017 are set forth in the tables above.

*Mr. Sunderland's Employment Agreement.* We have entered into an employment agreement with Mr. Sunderland that has similar provisions to the provisions of Dr. Boston's agreement discussed above, except with respect to his position, amounts relating to their base salary and annual bonus, and length and scope of restrictive covenants. In August 2014, we entered into an employment agreement with Mr. Sunderland to serve as Executive Vice President and Chief Financial Officer.

Under this employment agreement, Mr. Sunderland's term of employment runs until March 31, 2017 and the term will automatically renew for additional one-year terms unless we give written notice of our intent not to renew at least 30 days prior to the renewal date. Pursuant to his agreement, Mr. Sunderland's initial annual salary is \$300,000. Mr.

Sunderland is eligible for an annual bonus of up to 50% of his base salary then in effect and up to an additional 30% of his base salary as then in effect based upon the achievement of certain performance goals or certain stretch performance goals, respectively, as determined by the Compensation Committee. Mr. Sunderland's base salary for 2017 and target annual incentive compensation plan award for 2017 is set forth in the tables above.



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In addition, the above employment agreement provides for payments upon certain terminations of the executive's employment. For a description of these termination provisions, whether or not following a change in control, and a quantification of benefits that would be received by these executives see the section titled "Potential Payments Upon Termination or Change in Control" below.

*Dr. Powell's Employment Agreement.* In May 2016, we entered into an amended and restated employment agreement with Dr. Powell to serve as President of APUS. Pursuant to her agreement, Dr. Powell's annual salary was \$375,000, and she was eligible for an annual bonus of up to 50% of her base salary then in effect and up to an additional 30% of her base salary as then in effect based upon the achievement of certain performance goals or certain stretch performance goals, respectively, as determined by the Compensation Committee.

On October 15, 2017, Dr. Powell retired from her position at the Company and agreed to consult with the Company until June 30, 2018. For purposes of her amended and restated employment agreement, Dr. Powell's departure was treated as a termination of employment other than for cause or disability, and she was entitled to the benefits provided for in her employment agreement in that circumstance, as amended by the terms of the letter agreement she entered into on September 28, 2017 to formalize the terms of her departure. Dr. Powell will continue to vest in her outstanding equity awards until June 30, 2018.

Dr. Powell's base salary for 2017 and target annual incentive compensation plan award for 2017 are set forth in the tables above.

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The following table sets forth information with respect to the outstanding equity awards at December 31, 2017 for our NEOs:

| Name                       | Number of Securities Underlying Unexercised Options (#) Exercisable | Options Exercise Price (\$) | Options Expiration Date | Stock Awards   |   |
|----------------------------|---|-----------------------------|-------------------------|--|---|
|                            |   |                             |                         | Number of Shares or Units of Stock That Have Not Vested <sup>(1)</sup> | Market Value of Shares or Units of Stock That Have Not Vested (\$) <sup>(2)</sup> |
| Wallace E. Boston, Jr.     | 58,000  | \$ 37.52                    | 1/3/2018                | 105,950  | \$ 2,654,048  |
| Richard W. Sunderland, Jr. |   |                             |                         | 21,448   | \$ 537,272  |
| Thomas A. Beckett          |   |                             |                         | 7,726  | \$ 193,536  |
| Amy N. Panzarella          | 1,100   | \$ 37.52                    | 1/3/2018                | 5,440  | \$ 136,272  |
| Karan Powell               | 5,000   | \$ 37.52                    | 1/3/2018                | 17,561   | \$ 439,903  |

Includes the number of shares of restricted stock units that were earned pursuant to the achievement of the 2017 (1) performance-based grant of restricted stock units, as adjusted. Of the numbers of shares of stock shown, for the officers indicated, the following numbers of shares have vested or will vest on the dates indicated:

| Name                          | Grant Date | Award Type | Vest Date | Number of Shares or Units of Stock That Have Not Vested |
|-------------------------------|------------|------------|-----------|---|
| <b>Wallace E. Boston, Jr.</b> | 1/27/2015  | PSU        | 1/27/2018 | 3,692   |
|                               | 1/17/2016  | PSU        | 1/17/2018 | 10,705  |
|                               | 1/17/2016  | PSU        | 1/17/2019 | 10,704  |
|                               | 1/30/2017  | PSU        | 3/8/2018  | 5,017   |

|                                   |           |     |           |        |
|-----------------------------------|-----------|-----|-----------|--------|
|                                   | 1/30/2017 | PSU | 1/30/2019 | 5,016  |
|                                   | 1/20/2017 | PSU | 1/30/2020 | 5,016  |
|                                   | 1/27/2015 | RSA | 1/27/2018 | 7,458  |
|                                   | 1/17/2016 | RSA | 1/17/2018 | 14,466 |
|                                   | 1/17/2016 | RSA | 1/17/2019 | 14,465 |
|                                   | 1/30/2017 | RSU | 1/30/2018 | 9,804  |
|                                   | 1/30/2017 | RSU | 1/30/2019 | 9,804  |
|                                   | 1/30/2017 | RSU | 1/30/2020 | 9,803  |
| <b>Richard W. Sunderland, Jr.</b> | 1/27/2015 | PSU | 1/27/2018 | 746    |
|                                   | 1/17/2016 | PSU | 1/17/2018 | 2,168  |
|                                   | 1/17/2016 | PSU | 1/17/2019 | 2,168  |
|                                   | 1/30/2017 | PSU | 3/8/2018  | 1,016  |
|                                   | 1/30/2017 | PSU | 1/30/2019 | 1,015  |
|                                   | 1/20/2017 | PSU | 1/30/2020 | 1,015  |
|                                   | 1/27/2015 | RSA | 1/27/2018 | 1,506  |
|                                   | 1/17/2016 | RSA | 1/17/2018 | 2,930  |
|                                   | 1/17/2016 | RSA | 1/17/2019 | 2,930  |
|                                   | 1/30/2017 | RSU | 1/30/2018 | 1,985  |
|                                   | 1/30/2017 | RSU | 1/30/2019 | 1,985  |
|                                   | 1/30/2017 | RSU | 1/30/2020 | 1,984  |

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| Name                     | Grant Date | Award Type | Vest Date | Number of Shares or Units of Stock That Have Not Vested |
|--------------------------|------------|------------|-----------|---|
| <b>Thomas A. Beckett</b> | 1/17/2016  | PSU        | 1/17/2018 | 873   |
|                          | 1/17/2016  | PSU        | 1/17/2019 | 872   |
|                          | 1/30/2017  | PSU        | 3/8/2018  | 409   |
|                          | 1/30/2017  | PSU        | 1/30/2019 | 409   |
|                          | 1/20/2017  | PSU        | 1/30/2020 | 408   |
|                          | 1/17/2016  | RSA        | 1/17/2018 | 1,179   |
|                          | 1/17/2016  | RSA        | 1/17/2019 | 1,179   |
|                          | 1/30/2017  | RSU        | 1/30/2018 | 799   |
|                          | 1/30/2017  | RSU        | 1/30/2019 | 799   |
|                          | 1/30/2017  | RSU        | 1/30/2020 | 799   |
| <b>Amy N. Panzarella</b> | 1/30/2017  | PSU        | 3/8/2018  | 409   |
|                          | 1/30/2017  | PSU        | 1/30/2019 | 409   |
|                          | 1/30/2017  | PSU        | 1/30/2020 | 408   |
|                          | 1/17/2016  | RSA        | 1/17/2018 | 909   |
|                          | 1/17/2016  | RSA        | 1/17/2019 | 908   |
|                          | 1/30/2017  | RSU        | 1/30/2018 | 799   |
|                          | 1/30/2017  | RSU        | 1/30/2019 | 799   |
|                          | 1/30/2017  | RSU        | 1/30/2020 | 799   |
| <b>Karan Powell</b>      | 1/27/2015  | PSU        | 1/27/2018 | 494   |
|                          | 1/17/2016  | PSU        | 1/17/2018 | 1,228   |
|                          | 1/17/2016  | PSU        | 1/17/2019 | 1,227   |
|                          | 1/30/2017  | PSU        | 3/8/2018  | 1,162   |
|                          | 1/30/2017  | PSU        | 1/30/2019 | 1,162   |
|                          | 1/30/2017  | PSU        | 1/30/2020 | 1,162   |
|                          | 1/27/2015  | RSA        | 1/27/2018 | 1,000   |
|                          | 1/17/2016  | RSA        | 1/17/2018 | 1,659   |

|           |     |           |       |
|-----------|-----|-----------|-------|
| 1/17/2016 | RSA | 1/17/2019 | 1,659 |
| 1/30/2017 | RSU | 1/30/2018 | 2,270 |
| 1/30/2017 | RSU | 1/30/2019 | 2,270 |
| 1/30/2017 | RSU | 1/30/2020 | 2,270 |

Pursuant to the September 28, 2017 letter agreement entered into between the Company and Dr. Powell to formalize the terms of her departure, Dr. Powell will continue to vest in her outstanding equity awards until June 30, 2018.

(2) The market value of the shares of common stock that have not vested is based on the closing price of our common stock on The NASDAQ Global Select Market on December 29, 2017 (the last trading day of 2017), \$25.05.

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TABLE OF CONTENTS**Option Exercises and Stock Vested**

There were no option exercises by our NEOs during 2017. The following table sets forth information with respect to shares of restricted stock held by our NEOs that vested during 2017:

| Name                       | Stock Awards                             |   |
|----------------------------|--|---|
|                            | Number of Shares Acquired on Vesting (#) | Value Realized on Vesting (\$) <sup>(1)</sup> |
| Wallace E. Boston, Jr.     | 48,910                                   | \$ 1,145,889                                  |
| Richard W. Sunderland, Jr. | 11,339                                   | \$ 267,117                                    |
| Thomas A. Beckett          | 2,870                                    | \$ 64,560                                     |
| Amy N. Panzarella          | 1,716                                    | \$ 39,847                                     |
| Karan Powell               | 5,971                                    | \$ 110,227                                    |

(1) The value realized on vesting is based on the closing price of our common stock on The NASDAQ Global Select Market on the day of vesting, multiplied by the number of shares acquired.

**Nonqualified Deferred Compensation**

The following table sets forth information with respect to each defined contribution or other plan that provides for the deferral of compensation on a basis that is not tax-qualified during 2017:

| Name                       | Executive Registrant Contributions in Last FY | Contributions for Last FY <sup>(1)</sup> | Aggregate Earnings in Last FY <sup>(2)</sup> | Aggregate Withdrawals in Last FY <sup>(3)</sup> | Aggregate Balance at Last FYE <sup>(3)</sup> |
|----------------------------|---|--|--|---|--|
| Wallace E. Boston, Jr.     |   | \$ 31,117                                | \$ 23,719                                    |   | \$ 210,584                                   |
| Richard W. Sunderland, Jr. |   | \$ 12,068                                | \$ 1,818                                     |   | \$ 26,103                                    |
| Thomas A. Beckett          |   | \$ 5,154                                 | \$   |   | \$ 5,154                                     |
| Amy N. Panzarella          |   | \$ 135                                   | \$   |   | \$ 135                                       |
| Karan Powell               |   | \$                                       | \$ 3,582                                     |   | \$ 27,346                                    |

(1) Includes amounts contributed by the Company in 2018 with respect to 2017 as matching contributions. All amounts are reported in the Summary Compensation Table above.

- (2) Amounts reflected in this column include changes in plan values during 2017, as well as any dividends and interest earned by the plan participant with regard to the investment funds chosen by such participant during the fiscal year.
- (3) All amounts have been reported in the Summary Compensation Table above or in previous years.

## **Potential Payments Upon Termination or Change in Control**

The section below describes the payments that may be made to our NEOs in connection with a change in control or pursuant to certain termination events. The employment agreements for Dr. Boston and Mr. Sunderland, described above, include provisions that provide for payments to them in the event of certain terminations of their respective employment. Mr. Beckett and Ms. Panzarella do not have employment agreements, but are covered by the Company's Executive Severance Plan.

As described in more detail below, in the event of a voluntary resignation of an NEO without good reason (as defined below), the NEO is not entitled to any payments or benefits upon such resignation other than certain accrued but unpaid salary and benefits.

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*Termination for cause, without good reason or by reason of death.* In the event that Dr. Boston's or Mr. Sunderland's employment is terminated by us for cause, by the executive without good reason, or by reason of death (each of cause and good reason as defined below), we will pay to each of them or their estate, as the case may be, (i) his or her full base salary through the date of termination, (ii) any previously deferred and unpaid compensation and any unpaid accrued vacation pay, and (iii) any earned, but unpaid, amounts the executive is entitled to as of the date of termination in connection with any fringe benefits or under any of our incentive compensation plans or programs, including the annual incentive bonus (together, the Base Amounts).

In the event that Mr. Beckett's or Ms. Panzarella's service to the Company is terminated by us for cause, by the executive without good reason, or by reason of death (each of cause and good reason as defined below), we will pay to each of them or their estate, as the case may be, (i) his or her full base salary through the date of termination, (ii) any unpaid accrued vacation pay and unreimbursed business expenses accrued through the date of termination, (iii) any benefits provided under the Company's employment benefit plans upon or following a termination of employment (together, the Accrued Amounts), and (iv) the bonus, if any, earned with respect to the calendar year ending on or proceeding the termination date, to the extent not previously paid (the Earned Bonus).

*Termination by reason of disability.* If Dr. Boston's or Mr. Sunderland's employment is terminated by reason of disability, we are required to pay to them, in a lump sum within 30 days of the date of termination, an amount equal to (i) his base salary through the date of termination, (ii) his annual incentive bonus, to the extent the Company and the executive were then satisfying applicable performance targets, adjusted for the short period through the date of termination, for such bonus, prorated for the period of the executive's service during the applicable year, and (iii) any previously deferred and unpaid compensation and unpaid accrued vacation pay (together, the Accrued Obligations). In addition, subject to the executive's timely execution of a release of claims, we are further required to pay to the executive an amount equal to the sum of (i) the executive's annual base salary and (ii) the executive's annual incentive bonus, to the extent the Company and the executive were then satisfying applicable performance targets, adjusted for the short period, after the date of termination to the end of the calendar year for such bonus and as to the remainder of a certain period following the date of termination (the Bonus Period), if net income increased from the same period in the prior year and the performance targets established for the successor executive were being satisfied for that period, paid in installments over the Bonus Period. These payments shall be reduced by the sum of the amounts, if any, payable to the executive at or prior to the time of any payment under our disability benefit plans and which amounts were not previously applied to reduce any payment, all in a manner that complies with Section 409A of the Internal Revenue Code of 1986, as amended. The Bonus Period for Mr. Boston is 24 months and the Bonus Period for Mr. Sunderland is 18 months.

If Mr. Beckett's or Ms. Panzarella's employment is terminated by reason of disability, we are required pursuant to the terms of the Executive Severance Plan to pay to them the Accrued Amounts and Earned Bonus.

*Termination other than for cause or disability or for good reason.* In the event that we terminate Dr. Boston's or Mr. Sunderland's employment other than for cause or disability or they terminate their employment for good reason, we are required to pay, or provide, to the executive (subject to the NEO's timely execution of a release of claims in respect of all but the first item below):

in a lump sum within 30 days of the date of termination, the Accrued Obligations; an amount equal to the sum of (i) the executive's annual base salary and (ii) the executive's annual incentive bonus, to the extent the Company and the executive were then satisfying applicable performance targets, adjusted for the short period, after the date of termination to the end of the calendar year for such bonus and as to the remainder of the Bonus Period, if net income increased from the same period in the prior year and the performance targets established for the successor executive were being satisfied for that period), paid in installments over the Bonus Period;





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for a period of 24 months following the date of termination (for Dr. Boston) or 12 months following the date of termination (for Mr. Sunderland) or for any longer period provided for under the terms of the appropriate plan, program, practice or policy, a continuation of benefits to the executive and/or his or her family at a level and in an amount that is at least equal to that which would have been provided by us to them had the executive continued his or her employment, provided, however, that we may elect to pay the executive a payment equal to 24 or 12 months (as applicable) premiums under our benefit plans in lieu of the continuation of such benefits, and provided, further, that if the executive becomes reemployed with another employer and is eligible to receive any of the benefits that had been provided by us, then the benefits we provide shall be secondary;

to the extent not otherwise paid or provided, for a period of 24 months following the date of termination (for Dr. Boston) or 12 months following the date of termination (for Mr. Sunderland), any other amounts or benefits required to be paid or provided or which the executive is eligible to receive under any of our other existing benefit schemes; and

for Dr. Boston only, to the extent that less than 33 1/3% of all outstanding equity awards granted to him under any of our equity incentive plans are vested on the date of termination, such additional equity awards will immediately accelerate, vest, and become exercisable in accordance with their terms, assuming target level achievement for purposes of any performance-based awards.

In the event that we terminate Mr. Beckett's or Ms. Panzarella's employment other than for cause or disability or they terminate their employment for good reason, we are required to pay, or provide, to the executive (subject to the executive's timely execution of a release of claims and other certain restrictive covenants): (i) the Accrued Amounts;

(ii) the Earned Bonus; (iii) an amount equal to his or her base salary in effect immediately prior to the date of termination plus the product of (x) the annual cash bonus that would have been earned for the entire calendar year in which the date of termination occurs based on the actual level of achievement of any company performance goals for such year and the higher of the actual or target level of achievement of any individual performance goals for such year; and (y) a fraction, the numerator of which is the number of days the executive was employed by the Company during the calendar year in which the date of termination occurs and the denominator of which is the number of days in such year, paid on the date that annual bonuses are paid to the Company's executives or the 61<sup>st</sup> day following the date of termination; and (iv) any amount, determined in the sole discretion of the Committee, equal to 12 times the difference between (x) the monthly COBRA premium paid by the executive for group health plan coverage and (y) the monthly premium amount paid by the executive immediately prior to the date of termination for the same coverage, payable in a single lump sum on the 61<sup>st</sup> day following the date of termination.

On October 15, 2017, Dr. Powell retired from her position as President of APUS and agreed to consult with the Company after her retirement until June 30, 2018 (the Consulting Term), particularly relating to supporting the transition to a new President of APUS, representing APUS in the higher education community as an advocate, and providing guidance on accreditation-related matters as requested. In connection with Dr. Powell's retirement, she and the Company entered into a letter agreement dated September 28, 2017 to formalize the terms of her departure. Dr. Powell's departure from the Company was treated as a termination of employment by APUS other than for cause or disability and she was entitled to the benefits provided for in her employment agreement in that circumstance, as modified by the terms of her letter agreement.

Under the terms of Dr. Powell's letter agreement, during the Consulting Term, we are required to pay, or provide: (i) a bi-weekly fee of \$14,875.70; (ii) for her continued participation in APUS's medical, dental and vision benefit plans, subject to Dr. Powell's timely COBRA election; (iii) bonus payments for the calendar year 2017, subject to achievement of performance metrics; and (iv) subject to Dr. Powell's continued provision of consulting services, reimbursement for reasonable, documented business expenses in accordance with APUS policies and procedures for attendance at specified conferences and speaking events. Following the expiration of the Consulting Term, we are also required to pay, or provide: (i) a bi-weekly fee equal to \$14,875.70 until December 31, 2019; (ii) for her continued participation in APUS's medical, dental and vision benefit plans until



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March 31, 2019, subject to Dr. Powell's timely COBRA election; (iii) from April 1, 2019 through December 31, 2019, a supplemental monthly payment to allow for continued participation in APUS's benefit plans; and (iv) a bonus for calendar year 2018 of \$190,000, subject to certain conditions and performance requirements.

In addition to the amounts listed above, under the letter agreement, all of Dr. Powell's outstanding restricted stock units and restricted stock awards shall continue to vest and be settled in accordance with the respective vesting schedules and performance conditions applicable thereto.

Pursuant to the letter agreement, the receipt of the above-listed amounts by Dr. Powell will satisfy all obligations owed to Dr. Powell under her employment agreement.

*Termination following a change of control.* If within 180 days after a change of control (as defined below), we terminate Dr. Boston or Mr. Sunderland's employment other than for cause or disability or the executive terminates his employment for good reason, we are required to pay, or provide, to the executive (subject to the NEO's timely execution of a release of claims in respect of all but the first item below):

in a lump sum within 30 days of the effective date of termination, the Accrued Obligations; an amount equal to the sum of (i) two times the executive's annual base salary and (ii) two times the executive's annual incentive bonus, to the extent the Company and the executive were then satisfying applicable performance targets, adjusted for the short period, in a lump sum within 60 days of the effective date of termination; for a period of 24 months following the date of termination (for Dr. Boston) or 12 months following the date of termination (for Mr. Sunderland) or for any longer period provided for under the terms of the appropriate plan, program, practice or policy, a continuation of benefits to the executive and/or his or her family at a level and in an amount that is at least equal to that which would have been provided by us to them had the executive continued his or her employment, provided, however, that we may elect to pay the executive a payment equal to 24 or 12 months' (as applicable) premiums under our benefit plans in lieu of the continuation of such benefits, and provided, further, that if the executive becomes reemployed with another employer and is eligible to receive any of the benefits that had been provided by us, then the benefits we provide shall be secondary; and to the extent not otherwise paid or provided, for a period of 24 months following the date of termination (for Dr. Boston) or 12 months following the date of termination (for Mr. Sunderland), any other amounts or benefits required to be paid or provided or which the executive is eligible to receive under any of our other existing benefit schemes. In the event that any amounts payable or benefits to be provided to the executive under the employment agreement or otherwise would be nondeductible to us by reason of Section 280G of the Code and would subject the executive to the excise tax imposed by Section 4999 of the Code, then such payments and/or benefits will be reduced to the extent necessary so that such payments or benefits will no longer be ineligible for deduction by reason of Section 280G of the Code or subject to the excise tax imposed by Section 4999 of the Code unless the executive would receive at least \$50,000 more on a net after-tax basis if such payments and benefits were not reduced.

If within six months after a change of control, we terminate Mr. Beckett or Ms. Panzarella's employment without cause or the executive terminates his or her employment for good reason (as defined below), the executive shall be entitled to receive the Accrued Amounts and the Earned Bonus. In addition, we are required to pay to the executive (subject to the executive's timely execution of a release of claims and other certain restrictive covenants):

an amount equal to the 1.5 times the sum of the base salary in effect, plus the executive's target annual bonus for the year in which the date of termination occurs, payable in a single lump sum on the 61<sup>st</sup> day following the date of termination; and



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an amount, determined in the sole discretion of the Committee, equal to 18 times the difference between (x) the monthly COBRA premium paid by the executive for group health plan coverage for the executive, and (y) the monthly premium amount paid by the executive immediately prior to the date of termination for the same coverage, payable in a single lump sum on the 61<sup>st</sup> day following the date of termination.

*Acceleration of equity awards upon termination for death, for disability or following a change of control.* Under Dr. Boston's and Mr. Sunderland's employment agreements, all equity awards granted to the NEO under any of our equity incentive plans that are outstanding immediately prior to the following events will vest and become fully exercisable as follows: (i) upon termination of the executive's employment by the executive's death; (ii) upon our termination of the executive's employment for disability; or (iii) upon our termination of the executive's employment for any reason or for no reason at all, other than for disability or cause, in the 12-month period following a change of control or by the executive for good reason in the 12-month period following a change of control. However, for purposes of clauses (i) and (ii) above, any equity awards that are subject to performance conditions for a performance period not yet completed will be deemed to be vested and exercisable in a pro-rated amount equivalent to the portion of the performance period that has passed and assuming achievement of the performance conditions for that period at the target level, and, for purposes of clause (iii) above, any equity awards that are subject to performance conditions for a performance period not yet completed will be deemed to be vested and exercisable in full at the target level.

The Executive Severance Plan does not affect the term of any outstanding equity awards. In the event Mr. Beckett or Ms. Panzarella's employment is terminated, the treatment of any outstanding equity awards is determined in accordance with the terms of the Company equity plan or plans under which they were granted and any applicable award agreements.

*Terms defined in employment agreements.* For purposes of Dr. Boston's and Mr. Sunderland's employment agreements, the following definitions apply:

Cause means:

refusal by the NEO to follow a lawful written order of the Chairman of the Board, the Board, or for each NEO except Dr. Boston, our Chief Executive Officer;

the NEO's engagement in conduct materially injurious to us or our reputation;  
dishonesty of a material nature that relates to the performance of the NEO's duties under his or her employment agreement;

the NEO's conviction for any crime involving moral turpitude or any felony; or  
the NEO's continued failure to perform his or her duties under his or her employment agreement (except due to the NEO's incapacity as a result of physical or mental illness) to the satisfaction of the Board for a period of at least 30 consecutive days after written notice is delivered to the NEO specifically identifying the manner in which the NEO has failed to perform his or her duties.

Change of control generally means:

our dissolution or liquidation, or a merger, consolidation or reorganization of us with one or more other entities in which we are not the surviving entity;

a sale of substantially all of our assets to another person or entity; or  
any transaction (including without limitation a merger or reorganization in which we are the surviving entity) which results in any person or entity owning 50% or more of the combined voting power of all classes of our stock.

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Good reason generally means:

the assignment to the NEO of duties inconsistent in any material respect with the NEO's position as set forth in, or in accordance with, his or her employment agreement, excluding an isolated, insubstantial and inadvertent action that we remedy promptly after receipt of notice from the NEO;

any material failure by us to comply with any provisions of the NEO's employment agreement, excluding an isolated, insubstantial and inadvertent failure that we remedy promptly after receipt of notice from the NEO, provided, that in no event will a failure to pay an annual bonus by March 15 of the year following the performance year be considered a material failure by us;

there is a change of control and the NEO does not continue in his or her position, or any other office he or she holds at the time of the transaction, of the most senior resulting entity succeeding to our business; or

any material failure by us to require any successor or any party that acquires control of us, whether directly or indirectly, by purchase, merger, consolidation or otherwise, or all or substantially all of our business and/or assets to assume expressly and agree to perform the NEO's employment agreement in the same manner and to the same extent, provided, however, that none of the foregoing constitute good reason if the executive consents in writing to such event, and none of the foregoing constitute good reason unless the NEO provides notice to us within 90 days of the initial existence of such grounds and we fail to cure the asserted grounds for good reason within 30 days of receipt of such notice from the NEO. In order to terminate his or her employment for good reason, the NEO must terminate employment within 30 days of the end of the cure period if the breach has not been cured.

*Terms defined in the Executive Severance Plan.* For purposes of the Executive Severance Plan, which currently only applies to Mr. Beckett and Ms. Panzarella, the following definitions apply:

Cause means:

gross negligence or willful misconduct in connection with the performance of duties;

conviction of, or pleading guilty or nolo contendere to, a criminal offense (other than minor traffic offenses); or material breach of any term of any employment, consulting or other services, confidentiality, intellectual property, or non-competition agreements, if any, between such executive and the Company or an affiliate.

Change of control generally means:

the dissolution or liquidation of the Company or a merger, consolidation, or reorganization of the Company with one or more other entities in which the Company is not the surviving entity;

a sale of substantially all of the assets of the Company to another person (within the meaning of Sections 13(d) and 14(d)(2) of the Exchange Act); or

any transaction (including without limitation a merger or reorganization in which the Company is the surviving entity) which results in any person owning 50% or more of the combined voting power of all classes of common stock of the Company.

Good reason generally means:

a material diminution in the executive's authority, duties or responsibilities;

a material reduction in the executive's base salary; or

a material change in the geographic location at which the executive must perform services, including a required relocation of the executive's principal place of employment of more than 50 miles.

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## **Equity Retirement Policy**

In July 2016, the Compensation Committee approved the Equity Retirement Policy, to be effective January 1, 2017.

The Equity Retirement Policy provides for accelerated vesting at retirement of any (i) time-based awards and (ii) subject to the achievement of the applicable performance measure, performance-based awards, that were granted at least one year prior to the date of retirement. The Equity Retirement Policy only applies to employees who have (i) voluntarily terminated service, (ii) reached an age of 62 years, and (iii) provided at least 10 years of service to the Company.

The only NEOs eligible for the Equity Retirement Policy in 2017 were Dr. Powell and Dr. Boston.

## **Payment and Benefit Estimates**

The table below was prepared to reflect the estimated payments that would have been made pursuant to the employment agreements and arrangements described above. The estimated payments were calculated as though the applicable triggering event occurred, and the NEO's employment was terminated, or the applicable change in control occurred, on December 29, 2017 (the last trading day of 2017), using the closing price of our common stock on The

NASDAQ Global Select Market of \$25.05 on December 29, 2017. As discussed in the narrative above, upon termination for cause, by the NEO without good reason or upon death, the NEO is generally only entitled to receive amounts he is owed as of the termination date (e.g., salary, benefits, and, in limited cases, any previously earned, but unpaid, annual incentive compensation). Assuming a termination date of December 31, 2017, these amounts are set forth in the tables above, and we have not included these earned, but unpaid amounts, in the termination events included in the table below.



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The table below does not include information for Dr. Powell, who ceased to serve as an executive officer on October 15, 2017.

|  | Aggregate<br>Severance<br>Pay <sup>(1)</sup><br>(\$) | Accelerated<br>Vesting of<br>Equity<br>Awards<br>(\$) | Welfare<br>Benefits<br>Continuation<br>(\$) | Total<br>(\$) |
|--|--|---|---|---------------|
| <b>Wallace E. Boston, Jr.</b>  |  |   |   |               |
| Termination by Reason of Disability  | \$ 1,330,000   | \$ 2,654,048  | \$  | \$ 3,984,048  |
| Termination other than for Cause or Disability<br>or by Executive for Good Reason                      | \$ 1,330,000   | \$  | \$ 38,534                                   | \$ 1,368,534  |
| Termination without Cause or by Executive for<br>Good Reason in Connection with a Change in<br>Control | \$ 1,330,000   | \$ 2,654,048  | \$ 38,534                                   | \$ 4,022,582  |
| <b>Richard W. Sunderland, Jr.</b>  |  |   |   |               |
| Termination by Reason of Disability  | \$ 604,500   | \$ 537,272  | \$  | \$ 1,141,772  |
| Termination other than for Cause or Disability<br>or by Executive for Good Reason                      | \$ 604,500   | \$  | \$ 20,511                                   | \$ 625,011    |
| Termination without Cause or by Executive for<br>Good Reason in Connection with a Change in<br>Control | \$ 604,500   | \$ 537,272  | \$ 20,511                                   | \$ 1,162,283  |
| <b>Thomas A. Beckett</b>   |  |   |   |               |
| Termination by Reason of Disability  | \$ 275,000   | \$  | \$  | \$ 275,000    |
| Termination other than for Cause or Disability<br>or by Executive for Good Reason                      | \$ 275,000   | \$  | \$ 17,768                                   | \$ 292,768    |
| Termination without Cause or by Executive for<br>Good Reason in Connection with a Change in<br>Control | \$ 275,000   | \$  | \$ 17,768                                   | \$ 292,768    |
| <b>Amy N. Panzarella</b>   |  |   |   |               |
| Termination by Reason of Disability  | \$ 200,000   | \$  | \$  | \$ 200,000    |
| Termination other than for Cause or Disability<br>or by Executive for Good Reason                      | \$ 200,000   | \$  | \$ 2,766                                    | \$ 202,766    |
| Termination without Cause or by Executive for<br>Good Reason in Connection with a Change in<br>Control | \$ 200,000   | \$  | \$ 2,766                                    | \$ 202,766    |

(1)

We have assumed for purposes of calculating the aggregate severance pay that our net income and the NEO's successor's performance would be sufficient for the NEO to receive the maximum payout.

As explained above, Dr. Powell's departure from the Company on October 15, 2017 was treated as a termination of employment by APUS other than for disability or cause. Assuming continued compliance with the terms of her letter agreement and employment agreement, Dr. Powell is entitled to \$856,970 in bi-weekly fees for consulting service and in recognition of her years of service to the Company and APUS, and a bonus for calendar year 2018 of \$190,000, subject to certain conditions and performance requirements. She also received \$13,300 in incentive payments for 2017. In addition to continuing to vest in her outstanding equity awards until June 30, 2018 (valued at approximately \$264,972 as of December 29, 2017, the last trading day of 2017), Dr. Powell is also entitled to a continuation of her welfare benefits, followed from April 1, 2019 to December 31, 2019 by supplemental payments to Dr. Powell for these benefits, with an aggregate value equal to \$53,976. The total estimated value of Dr. Powell's benefits upon termination is \$1,379,318.

TABLE OF CONTENTS**Equity Compensation Plan Information**

The following table summarizes the Company's equity compensation plan information as of December 31, 2017. All equity compensation plans have been approved by Company stockholders.

| Plan   | Number of securities to be issued upon exercise of outstanding options<br>(a) | Weighted-average exercise price of outstanding options<br>(b) | Number of securities remaining available for future issuance under equity compensation plans (excluding securities reflected in column (a))<br>(c) |
|--|---|---|--|
| Equity compensation plans approved by Company stockholders     | 109,616   | \$ 37.52  | 2,191,880  |
| Equity compensation plans not approved by Company stockholders |   | \$  |  |
| Total  | 109,616   | \$ 37.52  | 2,191,880  |

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## **PROPOSAL NO. 2 ADVISORY VOTE ON THE COMPENSATION OF OUR NAMED EXECUTIVE OFFICERS**

As required by the Dodd-Frank Wall Street Reform and Consumer Protection Act, we are seeking stockholder input on the compensation of our named executive officers as disclosed in this Proxy Statement. We have determined to hold this vote annually. The Board and the Compensation Committee actively monitor our executive compensation practices in light of the industry in which we operate and the marketplace for talent in which we compete. We believe that the supply of qualified executive talent is limited and have designed our compensation programs to help us attract and retain qualified candidates by offering compensation that is competitive within the for-profit education industry and the broader market for executive talent.

As described in the Compensation Discussion and Analysis beginning on page 19 of this Proxy Statement, our executive compensation program is designed to provide competitive levels of compensation that are based on performance metrics, reflect the level of capability and effort required to achieve our corporate goals and encourage continuous quality improvement. By paying for performance, we believe that we align the interests of our executive officers with those of our stockholders. We also believe that an effective executive compensation program assists us in attracting and retaining qualified executives who will contribute to the Company's financial performance and drive the continued creation of stockholder value.

To achieve these objectives, we adhere to the following principles:

compensation should be directly related to achievement of our corporate goals as measured through individual management objectives and through earnings results;  
an emphasis on equity-based compensation aligns the long-term interests of executive officers and stockholders; and  
NEO's compensation must be evaluated against opportunities offered by companies that are similar to, and competitive with, us in the market for executive talent.

Our executive compensation program also includes features specifically intended to align the interests of our NEOs with those of our stockholders, such as:

each of our executives is expected to own shares of the Company's common stock with a value ranging from one to six times the executive's base salary, depending on position;

the use of equity awards, the value of which is contingent on our long-term performance; and  
equity awards are comprised of a mixture of restricted stock awards that vest over three years and restricted stock units that vest over three years, subject to achievement of a free cash flow target.

We believe our executive compensation program achieves our compensation principles, properly aligns the interests of our NEOs and our stockholders and is deserving of stockholder support. We believe that stockholders should also consider the following when determining whether to approve the compensation of our NEOs as presented in this Proxy Statement:

the Compensation Committee utilizes Willis Towers Watson, an independent compensation consulting firm, to assist the Committee in determining compensation;

our NEOs are prohibited from engaging in short sales, transactions in derivative securities (including put and call options), or other forms of hedging and monetization transactions, such as zero-cost collars, equity swaps, exchange funds and forward sale contracts, that allow the holder to limit or eliminate the risk of a decrease in the value of our

securities;

our equity awards have been granted with three-year minimum vesting periods, and our equity plans prohibit repricing or replacement of outstanding option awards;

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upon a change of control, our NEOs only receive severance payments in connection with a termination of their employment; and the employment agreements with our NEOs do not include tax-gross up payments in connection with a change of control.

For these reasons, the Board recommends that stockholders vote in favor of the following resolution:

RESOLVED, that the compensation paid to the American Public Education, Inc. named executive officers, as disclosed in the Company's Proxy Statement for the 2018 Annual Meeting pursuant to the rules of the Securities and Exchange Commission, including the Compensation Discussion and Analysis, compensation tables and any other related disclosure, is hereby APPROVED.

The vote is advisory and is not binding on the Company, the Board or the Compensation Committee of the Board. However, the Compensation Committee of the Board expects to take into account the outcome of the vote as it continues to consider our executive compensation program.

**THE BOARD RECOMMENDS A VOTE FOR THE APPROVAL OF THE COMPENSATION OF OUR NAMED EXECUTIVE OFFICERS AS DISCLOSED IN THIS PROXY STATEMENT.**

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## **INFORMATION REGARDING INDEPENDENT REGISTERED ACCOUNTING FIRM**

RSM US LLP ( RSM ) has served as the Company's independent registered public accounting firm since October 2007. With RSM having served as the Company's independent auditor for ten years, the Audit Committee determined that it was an appropriate time to initiate a request for proposal ( RFP ) process for the selection of our independent registered public accounting firm for the year ending December 31, 2018. The Audit Committee has invited RSM and several other independent registered public accounting firms to participate in that RFP process. It is possible that, following this RFP process, which is expected to be completed during the second quarter of 2018, we will retain RSM as our independent registered public accounting firm, or we may retain a new independent registered public accounting firm for the year ending December 31, 2018. We expect to resume the practice of submitting the appointment of the Company's independent registered public accounting firm to the shareholders for ratification at our 2019 Annual Meeting. The Audit Committee has the discretion to appoint a different independent registered public accounting firm at any time during the year if the Audit Committee believes that such a change would be in the best interest of the Company and our shareholders.

Representatives of RSM will attend the Annual Meeting. They will have an opportunity to make a statement if they desire to do so, and they will be available to respond to appropriate questions.

TABLE OF CONTENTS**PRINCIPAL ACCOUNTANT FEES AND SERVICES**

We regularly review the services and fees of our independent accountants. These services and fees are also reviewed by the Audit Committee on an annual basis. The aggregate fees billed for the fiscal years ended December 31, 2017 and 2016 for each of the following categories of services are as follows:

| Fee Category       | 2016       | 2017       |
|--------------------|------------|------------|
| Audit Fees         | \$ 540,000 | \$ 545,475 |
| Audit-Related Fees | \$ 192,354 | \$ 83,500  |
| Tax Fees           | \$         | \$         |
| All Other Fees     | \$ 55,500  | \$ 83,500  |
| Total Fees         | \$ 787,854 | \$ 686,700 |

*Audit Fees.* Consist of fees billed for professional services rendered for the audit of our annual financial statements and review of financial statements included in our Quarterly Reports on Form 10-Q and services provided in connection with statutory and regulatory filings or engagements.

*Audit-Related Fees.* Consist of fees billed for assurance and related services that are reasonably related to the performance of the audit or review of our financial statements and are not reported under Audit Fees, including fees related to implementation of new accounting guidance and legislation, goodwill impairment analyses and certain audit committee matters.

*Tax Fees.* Consist of fees billed for tax compliance, tax advice and tax planning services and include fees for tax return preparation.

*All Other Fees.* Consist of fees billed for products and services other than those described above under Audit Fees, Audit-Related Fees and Tax Fees, including payment for travel expenses and administrative fees.

During the fiscal years ended December 31, 2017 and 2016, RSM provided various services in addition to auditing our financial statements. The Audit Committee has determined that the provision of such services is compatible with maintaining RSM's independence. In 2017 and 2016, all fees paid to RSM were pre-approved pursuant to the policy described below.



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## **AUDIT COMMITTEE S PRE-APPROVAL POLICIES AND PROCEDURES**

The Audit Committee reviews with RSM and management the plan and scope of RSM s proposed annual financial audit and quarterly reviews, including the procedures to be utilized and RSM s compensation. The Audit Committee also pre-approves all auditing services, internal control related services and permitted non-audit services (including the fees and terms thereof) to be performed for us by RSM, subject to the de minimis exception for non-audit services that are approved by the Audit Committee prior to the completion of an audit. The Audit Committee may delegate pre-approval authority to one or more members of the Audit Committee consistent with applicable law and listing standards, provided that the decisions of such Audit Committee member or members must be presented to the full Audit Committee at its next scheduled meeting.

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## **AUDIT COMMITTEE REPORT**

THE FOLLOWING REPORT OF THE AUDIT COMMITTEE DOES NOT CONSTITUTE SOLICITING MATERIAL AND SHOULD NOT BE DEEMED FILED OR INCORPORATED BY REFERENCE INTO ANY OTHER FILING BY US UNDER THE SECURITIES ACT OF 1933 OR THE SECURITIES EXCHANGE ACT OF 1934, EXCEPT TO THE EXTENT WE SPECIFICALLY INCORPORATE THIS REPORT.

During 2017, the Audit Committee of the Board of Directors of American Public Education, Inc. consisted entirely of independent directors: Ms. Halle, who serves as the chairperson; Mr. Andersen; Dr. Kurshan; and Mr. Landon. The Audit Committee operates under a written charter adopted by the Board, which is available in the Governance Committees section of our corporate website, which is *www.americanpubliceducation.com*. The information on our corporate website is not incorporated by reference into the Proxy Statement for the 2018 Annual Meeting of Stockholders. The Audit Committee reviews the charter and proposes necessary changes to the Board on an annual basis.

During the fiscal year ended December 31, 2017, the Audit Committee fulfilled its duties and responsibilities generally as outlined in its charter. The Audit Committee has:

reviewed and discussed with management our audited financial statements for the fiscal year ended December 31, 2017;

discussed with RSM US LLP, our independent auditors for fiscal 2017, the matters required to be discussed by the Statement on Accounting Standards No. 1301, Communications with Audit Committees, issued by the Public Company Accounting Oversight Board; and

received the written disclosures and the letter from RSM US LLP required by applicable requirements of the Public Company Accounting Oversight Board regarding the independent auditors' communications with the Audit Committee concerning independence, and has discussed with the independent auditors their independence.

On the basis of the review and discussions referenced above, the Audit Committee recommended to the Board that the audited financial statements be included in American Public Education Inc.'s Annual Report on Form 10-K for the fiscal year ended December 31, 2017 for filing with the Securities and Exchange Commission.

AUDIT COMMITTEE (February 20, 2018)

Jean C. Halle, Chairperson

Eric C. Andersen

Dr. Barbara L. Kurshan

Timothy J. Landon

## **SECTION 16(A) BENEFICIAL OWNERSHIP REPORTING COMPLIANCE**

Section 16(a) of the Securities Exchange Act of 1934 requires our directors, executive officers and holders of more than 10% of our common stock to file reports of ownership of our equity securities. To our knowledge, based solely on review of the copies of such reports furnished to us related to the year ended December 31, 2017, all such reports were made on a timely basis, except that Dr. Barbara Kurshan, a Section 16 reporting person, failed to timely file one Form 4 reporting one transaction.



TABLE OF CONTENTS**BENEFICIAL OWNERSHIP OF COMMON STOCK**

The following table sets forth certain information as of April 6, 2018 (unless otherwise specified), with respect to the beneficial ownership of our common stock by each person who is known to own beneficially more than 5% of the outstanding shares of common stock, each person currently serving as a director, each nominee for director, each NEO (as set forth in the Summary Compensation Table above), and all directors and executive officers as a group:

| Name of Beneficial Owner  | Shares of<br>Common<br>Stock<br>Beneficially<br>Owned <sup>(1)</sup> | Percentage<br>of<br>Class |
|---|--|---------------------------|
| <b>More than 5% Stockholders</b>                                    |  |                           |
| T. Rowe Price Associates, Inc. <sup>(2)</sup>                       | 2,778,407  | 16.94 %                   |
| BlackRock, Inc. <sup>(3)</sup>                                      | 2,095,426  | 12.78 %                   |
| The Vanguard Group, Inc. <sup>(4)</sup>                             | 1,217,434  | 7.42 %                    |
| Dimensional Fund Advisors LP <sup>(5)</sup>                         | 1,204,792  | 7.35 %                    |
| Renaissance Technologies, LLC <sup>(6)</sup>                        | 1,023,700  | 6.24 %                    |
| FMR LLC <sup>(7)</sup>  | 937,486  | 5.72 %                    |
| <b>Directors and Named Executive Officers</b>                       |  |                           |
| Eric C. Andersen  | 8,555  | *                         |
| Thomas A. Beckett   | 9,033  | *                         |
| Dr. Wallace E. Boston, Jr.  | 395,001  | 2.41 %                    |
| MG (Ret) Barbara G. Fast  | 14,420   | *                         |
| Jean C. Halle   | 19,419   | *                         |
| Dr. Barbara L. Kurshan  | 7,210  | *                         |
| Timothy J. Landon   | 14,679   | *                         |
| Amy N. Panzarella   | 8,085  | *                         |
| Karan Powell  | 28,559   | *                         |
| William G. Robinson, Jr.  | 5,088  | *                         |
| Richard W. Sunderland, Jr.  | 41,677   | *                         |
| All of our directors and executive officers as a group (10 persons) | 523,167  | 3.19 %                    |

\* Represents beneficial ownership of less than 1%.

(1)

Beneficial ownership is determined in accordance with the rules of the SEC and generally includes voting or investment power with respect to securities. Shares of common stock subject to options or warrants currently exercisable or exercisable within 60 days of April 6, 2018 are deemed outstanding for purposes of computing the percentage ownership of the person holding such options, but are not deemed outstanding for purposes of computing the percentage ownership of any other person. Except where indicated otherwise, and subject to community property laws where applicable, the persons named in the table above have sole voting and investment power with respect to all shares of common stock shown as beneficially owned by them. As of April 6, 2018 there were 16,399,199 shares of our common stock outstanding.

(2) Based solely on a Schedule 13G/A filed by T. Rowe Price Associates, Inc. on February 14, 2018. The stockholder is deemed to be the beneficial owner with sole dispositive power of 2,778,407 shares of the Company's stock as the result of being an investment advisor. The stockholder has sole voting power with respect to 627,953 of these shares. The stockholder's address is 100 E. Pratt Street, Baltimore, Maryland 21202.

(3) Based solely on a Schedule 13G filed by BlackRock, Inc. on January 19, 2018. This stockholder is deemed to be the beneficial owner of 2,095,426 shares of the Company's common stock as a result of being a parent holding company or control person. The stockholder has sole voting power with respect to 2,047,288 of these shares. The stockholder's address is 55 East 52<sup>nd</sup> Street, New York, NY 10055.

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Based solely on a Schedule 13G filed by The Vanguard Group, Inc. on February 12, 2018. This stockholder is deemed to be the beneficial owner with sole dispositive power of 1,200,154 shares of the Company's common stock (4) and shared dispositive power of 17,280 shares of the Company's common stock as a result of acting as an investment adviser. The stockholder has sole voting power with respect to 16,770 of these shares. The stockholder's address is 100 Vanguard Blvd, Malvern, PA 19355.

Based solely on a Schedule 13G filed by Dimensional Fund Advisors LP on February 9, 2018. The stockholder is deemed to be the beneficial owner with sole dispositive power of 1,204,792 shares of the Company's stock as the (5) result of being an investment adviser. The stockholder has sole voting power with respect to 1,141,603 of these shares. The stockholder's address is Building One, 6300 Bee Cave Road, Austin, Texas, 78746.

Based solely on a Schedule 13G filed by Renaissance Technologies LLC, as majority holder of Renaissance Technologies Holdings Corporation on February 14, 2018. The stockholder is deemed to be the beneficial owner (6) with sole dispositive power of 1,023,700 shares of the Company's stock as the result of being an investment adviser. The stockholder has sole voting power with respect to 968,801 of these shares. The stockholder's address is 800 Third Avenue, New York, New York 10022.

Based solely on a Schedule 13G filed jointly by FMR LLC ( FMR ) and Abigail P. Johnson on February 13, 2018. FMR is deemed to be the beneficial owner of 937,486 shares of the Company's common stock as a result of being a parent holding company or control person. The stockholder has sole voting power with respect to 179,197 of these shares. Members of the Johnson family may be deemed to form a controlling group with respect to FMR. (7) However, neither FMR nor Ms. Johnson has the sole power to vote or direct the voting of the shares owned directly by investment companies (the Funds ) advised by Fidelity Management & Research Company ( FMR Co ), a wholly owned subsidiary of FMR, which power resides with the Funds' Boards of Trustees. FMR Co carries out the voting of the shares under written guidelines established by the Boards of Trustees. The stockholder's address is 245 Summer Street, Boston, Massachusetts 02210.

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## GENERAL MATTERS

### Availability of Certain Documents

A copy of our 2017 Annual Report on Form 10-K has been posted on the Internet along with this Proxy Statement to all stockholders entitled to notice of and to vote at the Annual Meeting. The Annual Report is not incorporated into this Proxy Statement and is not considered proxy-soliciting material. We will mail without charge, upon written request, a copy of our 2017 Annual Report on Form 10-K including exhibits. Please send a written request to our Corporate Secretary at:

American Public Education, Inc.  
111 W. Congress Street  
Charles Town, West Virginia 25414  
Attention: Corporate Secretary

The charters for our Audit, Compensation, and Nominating and Corporate Governance Committees, as well as our Guidelines and our Code of Ethics, are in the Governance section of our corporate website, which is [www.americanpubliceducation.com](http://www.americanpubliceducation.com), and are also available in print without charge upon written request to our Corporate Secretary at the address above. The information on our corporate website is not incorporated by reference into this Proxy Statement.

Stockholders residing in the same household who hold their stock through a bank or broker may receive only one set of proxy materials in accordance with a notice sent earlier by their bank or broker. This practice will continue unless instructions to the contrary are received by the bank or broker from one or more of the stockholders within the household. We will promptly deliver a separate copy of the proxy materials to such stockholders upon receipt of a written or oral request to our Corporate Secretary at the address above, or by calling (304) 724-3700.

If you hold your shares in street name and reside in a household that received only one copy of the proxy materials, you can request to receive a separate copy in the future by following the instructions sent by your bank or broker. If your household is receiving multiple copies of the proxy materials, you may request that only a single set of materials be sent by following the instructions sent by your bank or broker.

### Stockholder Proposals and Nominations

*Requirements for Stockholder Proposals to be Considered for Inclusion in our Proxy Materials.* As required by SEC rules, in order to be considered for inclusion in next year's proxy statement, stockholder proposals must be received by our Corporate Secretary at our principal executive offices not less than 120 calendar days before the anniversary of the date of the Company's proxy statement was released to stockholders in connection previous year's annual meeting, which is no later than the close of business on December 2, 2018.

*Requirements for Stockholder Proposals to be Brought Before an Annual Meeting.* Our Bylaws provide that, for stockholder nominations to the Board or other proposals to be considered at an annual meeting, the stockholder must have given timely notice thereof in writing to the Corporate Secretary at American Public Education, Inc., 111 W. Congress Street, Charles Town, West Virginia 25414, Attn: Corporate Secretary. To be timely for the 2018 Annual Meeting, the stockholder's notice must be delivered to or mailed and received by us not more than 120 days, and not less than 90 days, before the anniversary date of the preceding annual meeting, except that if the annual meeting is set

for a date that is not within 30 days before or 60 days after such anniversary date, we must receive the notice no later than the later of the 90<sup>th</sup> day prior to such annual meeting or the close of business on the tenth day following the day on which we provide notice or public disclosure of the date of the meeting. Assuming the date of our 2019 annual meeting is not so advanced or delayed, stockholders who wish to make a proposal at the 2019 annual meeting must notify us no earlier than February 1, 2019 and no later than March 3, 2019. Such notice must provide the information required by our Bylaws with respect to each matter the stockholder proposes to bring before the 2018 Annual Meeting.



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**Other Matters**

As of the date of this Proxy Statement, the Board does not intend to present any matters other than those described herein at the Annual Meeting and is unaware of any matters to be presented by other parties. If other matters are properly brought before the meeting for action by the stockholders, proxies will be voted in accordance with the recommendation of the Board or, in the absence of such a recommendation, in accordance with the judgment of the proxy holder.

**Directions to Annual Meeting**

Directions to the 2018 Annual Meeting of Stockholders, to be held at the Gaylord National Resort and Convention Center, 201 Waterfront Street, National Harbor, Maryland 20745, are set forth below:

From Points North or South via I-95 Follow I-95 into the Washington, D.C. area and merge onto I-95/I-495 (Capital Beltway). Cross the Woodrow Wilson Bridge toward Maryland and continue to exit 2A toward National Harbor. Once on National Harbor property, turn right onto St. George Boulevard and follow signs to the Gaylord National Hotel and Convention Center.

By Order of the Board of Directors,

Dr. Wallace E. Boston, Jr.  
President and Chief Executive Officer

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