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Interviews & News!

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Providing Quality, Online Education To Men And Women Serving In The US Military Since 1993, American Public Education Is Now Regionally Accredited And Title IV Eligible And Is Offering The Same Affordable, Respected Degree Programs To Civilians



Services
Business Services
(APEI-NASDAQ)

American Public Education, Inc.

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Harry T. Wilkins, CPA
Executive Vice President and CFO

BIO:

Mr. Harry T. Wilkins, CPA, joined APUS as the Chief Financial Officer and Executive Vice President in January 2007, after having served on the institution's Board of Trustees and Board of Directors for three years.

Mr. Wilkins is a founding partner of Wilkins, Little & Matthews, LLP, a Baltimore-based CPA firm specializing in consulting for postsecondary education clients since 2001. Prior to 2001, Mr. Wilkins served as Chief Financial Officer and Chief Operating Officer of Strayer Education, Inc. He joined Strayer Education, Inc. in 1991 shortly after it was purchased for \$5 million, and left in 2001 when it was a public company with an \$840 million market capitalization.

From 1984 to 1991 Mr. Wilkins served as Director in the accounting firm of Wooden & Benson, specializing in audits of education companies. From 1979 to 1984 he was a senior consultant with Deloitte Touche (then Deloitte Haskins & Sells) where he assisted clients in raising venture capital and public offerings of securities.

A featured speaker on the postsecondary education industry at conferences both national and international, Mr. Wilkins has spoken at the meetings of The New York Society of Security Analysts, Credit Suisse/ First Boston Education Services, Legg Mason Education Services, Fulcrum Services, and Smith Barney Education Services.

Mr. Wilkins is a former Board Member of Concorde Career Colleges, Inc. and a partner in Rittenhouse Capital Partners. Mr. Wilkins received a B.A. degree in Accounting and his Masters of Professional Accountancy from Loyola College in 1978 and 1980 respectively.

Company Profile:

American Public Education, Inc. (NASDAQ:APEI) is an online provider

of higher education focused primarily on serving the military and public service communities. *American Public University System* (APUS), wholly owned by APEI, comprises two universities – *American Military University* (AMU) and *American Public University* (APU). Nationally and regionally accredited, APUS serves 27,000 part-time students who live and work in all 50 states and more than 130 countries; and offers 57 degree programs and 48 certificate programs in fields ranging from homeland security, military studies, intelligence, and criminal justice to technology, business administration, public health, and liberal arts.

Interview conducted by:
Lynn Fosse, Senior Editor
CEOCFOinterviews.com

CEOCFO: Mr. Wilkins, you have been CEO for a little over a year now; what made you decide to join the company?

Mr. Wilkins: “I was on the company’s board for several years and had been a consultant for APUS since 2001. When they were looking for someone who had public company experience, I thought it would be a good opportunity for me to add value to the company and a good opportunity for me personally because I had taken an education company public before - a school called Strayer Education in 1996. So it was a good match.”

CEOCFO: What is the vision at American Public Education and how is it developing?

Mr. Wilkins: “The company was founded in 1991 by a major in the Marines who had retired, and he felt he

wanted to do something in his retirement that would help people in the military. He also felt that colleges had not done a good job of making post secondary education available to people serving in the military. This is because at that time, there were no distance learning programs and military people get transferred frequently so it was hard for them to complete their college degree.

The military provides tuition assistance. They pay for service members to go to school, reimbursing students up to \$750.00 per class. Therefore, he came up with this idea of a distance learning school catering to people in the military. We also include the books in our tuition so there really is no out of pocket expense to our degree-seeking, undergraduate students. That was the concept, and it really took off.

In the mid-1990's we got our first national accreditation. Eventually, in 2006 we obtained regional accreditation, which is the highest accreditation you can get as an institution of higher learning in the United States. We have increased the quality of our programs, kept classes online and made the tuition affordable.

In fact, we have had no undergraduate tuition increases since the year 2000, and our programs have become very popular in the military. Last year, we also gained access to the Federal Student Loan Program. This program opened up the opportunity for us to enroll more civilian students. We are finding that civilians seek the convenience of a quality, online education, and are drawn to our affordability. The civilian market place for higher education is much larger than the military market. That fact got us focused on the idea and that maybe we should take this company public given the huge potential in this market."

CEOCFO: What is the competitive landscape?

Mr. Wilkins: "We feel that the market is moving towards online education as younger students today are used to communicating electronically and they per-

haps prefer electronic communication to face-to-face communication. There is also a real and growing interest in online education as more working adults demand greater convenience from their education providers.

Until the late 1990's, for-profit education companies were kind of frowned upon in the market place. The gradual acceptance of for-profit education companies competing with the traditional universities has opened up the marketplace quite a bit. Today, there are a number of high-quality online schools but virtually none at our affordable tuition price point.

At our university, you can get a bachelor's degree, including the cost of books, for \$30,000 and that is a very attractive price point. With a bachelor's degree you

"I think the competition will eventually realize the need for affordability and convenience in the years ahead. Traditional classroom education is not going to be as popular in the future, as our society becomes more dynamic and more concerned with quality-of-life issues. Our company is just at the forefront of a movement towards affordable tuition and we think the movement is going to make education accessible to people through online means and make it reasonably priced." - Harry T. Wilkins, CPA

can pretty much double your earnings potential every year for the rest of your life – it is one of the best investments a person can make in their lifetime.

"The cost of a university degree is going to become a big issue because so many universities have priced tuition so high that now people really need to make a cost/benefit decision before selecting a university. When they go back to school and get a degree, they don't want to graduate and be \$70,000-\$80,000 in debt with student loans.

I think the competition will eventually realize the need for affordability and convenience in the years ahead. Traditional classroom education is not going to be as popular in the future, as our society becomes more dynamic and more concerned with quality-of-life issues. Our company

is just at the forefront of a movement towards affordable tuition and we think the movement is going to make education accessible to people through online means and make it reasonably priced."

CEOCFO: Playing devil's advocate, how is the quality of experience the same online as it is in person and is the business world coming to accept an online degree and recognizing the value of such a degree?

Mr. Wilkins: "In the 1990's I was the CFO of a company called Strayer Education which offered campus-based and online degree programs. At Strayer, we were very concerned about the quality. Therefore, we had the same professors teach the online courses as we did the courses in the classroom, even using the same textbooks. What we found after studying it for several years was that without question, both the students and the professors felt the online experience was actually better than the classroom experience.

The reason is because online students are required to communicate with instructors individually. You do not have that requirement as a student in a classroom. In a traditional, campus-based classroom, there are maybe 100 other students

in the class, you can maybe hide in the back and get lost, you cannot do that online. The instructors download their lecture to you and then there is exchanges of information during the week, you get quizzed on it, and you have to communicate at least twice a week with your faculty one-on-one. The faculty member gets a better feel for how the student is learning when they are required to communicate.

There are some students that need the more structured learning environment of the classroom where you are forced to attend and physically be in the same room with your faculty member two or three hours a week. Some students need that type of discipline but other students are more self-disciplined and I think those students that are more independent

and self-disciplined can learn actually better on an online environment.”

CEO CFO: You offer a diverse range of degree programs; would you please tell us about your offerings?

Mr. Wilkins: “We have 57 degree programs now ranging from associate degree programs to all the way to the master’s level. Some of our programs are very unique and really built to cater to people in the military. We were the first that I know of to offer a bachelor’s degree in Homeland Security, which we started offering prior to September 11th, before there was a Department of Homeland Security. A lot of the courses we had developed to help in the military: emergency management; homeland security; transportation and logistics; security management; and intelligence programs. Today, there is also a need for those programs in the civilian marketplace. A whole new business of security intelligence gathering that is growing on the civilian side, it has always been there on the military side.

In addition, a lot of the soldiers we were serving in the late 1990’s and continue to serve today, are interested in preparing themselves for a career outside the military when they retire or leave. Those students are interested in business programs, finance degrees and IT programs that traditional schools offer and we have those courses too. We have one of the few online liberal arts programs. We have our military history degrees, and history degrees are very popular now. There are a lot of teachers who teach history and they like to take classes in history and enhance their career goals by getting an education in that area. There are not a lot of people offering military history online or a master’s degree in history online. We try to cater to the needs of our population which historically has been military but now is growing more into the civilian and military related civilian markets.”

CEO CFO: Do you find today’s military to be more interested in education than in the past?

Mr. Wilkins: “Yes, the people in the military are keying in on this too. The 21st century soldiers need to be better educated than soldiers have been in the

past. The equipment they are using is much more sophisticated, the situations they are in are much more complicated and involve more critical thinking skills, more knowledge about society. There are certain social and political issues that soldiers need to be aware of today that they didn’t need to be aware of when soldiers were fighting in Korea, Europe, or World War II. The better educated they are, the better soldiers they are. The military has really keyed in on that and are happy and committed to make sure they have a well educated force.

The military has found an effective recruiting tool in letting potential recruits know that they will pay for their college education 100% if they enlist in the military. The military is very aware of the need and benefits of making education available to soldiers.”

CEO CFO: What are the plans to get your story to the potential students?

Mr. Wilkins: “We have two schools that we operate under the parent company, American Public Education. There is American Military University (“AMU”), and American Public University (“APU”) and both schools are accredited under the entity called American Public University System.

We have focused our marketing dollars on reaching a very well-defined, targeted audience of military service members, so we are kind of a well-kept secret in the broader civilian market. While we have been very successful in the military market, we are now rapidly expanding in the civilian market. This growth is driven by our quality and affordability. For example, we have a very affordable master’s program. We cannot find another quality, online, regionally accredited, master’s program that is more affordable than our program - our master’s program is less than ten thousand dollars. We offer 21 masters programs that we believe are priced 40% below the competition. I think that is where our marketing will focus in the next few months as we try to roll out into the civilian marketplace more.”

CEO CFO: You are quite profitable; how are you able to offer courses at a cost that

is some much lower than your competition’s price point and still be so successful?

Mr. Wilkins: “The roots of that started with our founder. He was a marine; he wasn’t very wealthy. He bootstrapped the school together and we tried to develop a quality product at a low cost and keep the cost low by automating a lot of administrative procedures that traditional schools do manually. We have a very sophisticated system we call PAD (partnership at a distance)TM. It is an administrative support system that we have developed for our students. Students can get just about any service they need online. If they need or prefer to talk to somebody, they can pick up the phone and call and we will have people available to help them. Yet, about 20% of our students never communicate with an administrative person in our school at all; they can get all the resources they need online. That is a very efficient way to deliver an educational product.

We have no classroom facilities, so facilities at a traditional school are about thirty to forty percent of the budget and we do not have any of those expenses. We have an efficient administrative structure. We pay our faculty on a per-student basis. Because of that we can have smaller class sizes with three or four people and still make a profit. Where as traditional schools, which pay per class, if they have less than ten people in a classroom, they may have to cancel a class because they are not covering their faculty cost. We can be profitable and offer a course with three or four people because of the way we pay our faculty. It is a combination of things that we do well and it enables us to have low overhead and operate very efficiently.”

CEO CFO: Why did you make the decision to go public and how has that changed the company?

Mr. Wilkins: “One reason is because we raised money from a private equity company in 2001 and we needed to provide them an exit strategy for their investment. From 2001 until this year, they had not taken any money out of the company at all.

That wasn't the only reason. We are open to the public, owned by the public and we serve the public. We are an open-enrollment institution; if you have a high-school degree, and you have sufficient English and math skills, you can attend our school. We serve our nation's military, firemen, police officers, public servants and many more professionals who dedicate themselves to serving others with unique course offerings that help them do a better job in their careers.

We also think that being a public company forces you to be efficient and effective. It forces you to have high internal controls, which we think is a good idea anyway, it forces you to perform at your peak; every quarter you have a report card that you are evaluated on by your investors.

We also think that it is a great opportunity to have our employees invest in the company and they are creating a lot of value for the company so they should benefit from it. We also like the idea that the public and even our own students and faculty are shareholders; we think that is a better model than a traditional school which is a quasi governmental entity funded by taxpayers but not really accountable to anybody (should we say "direct stakeholders" vs anybody- or something else here)."

CEOCFO: What is ahead for the company?

Mr. Wilkins: "I think this message of affordable and quality education will sell well in the marketplace. We think there are a lot of people out there who need a quality education who are not getting it because they have been priced out of the marketplace. There are a lot of 25-40 year-old people for whatever reason didn't have the opportunity or didn't choose to go to college out of high school. After being in the workforce for seven to twenty years realized and decided that they really do need a degree and they would like to get it, but they have family responsibilities and cost is a real factor.

We also feel with have some really unique programs in homeland security and emergency management that are just not being taught by anybody - yet people need these programs. The fireman and police officers in today's environment really need these courses and we think we are really serving the public by making this kind of education available to people at an affordable cost."

CEOCFO: In closing, why should potential investors be interested and is there anything people might miss initially that they should understand?

Mr. Wilkins: "People will be excited about the opportunity to invest in education. There are several things that make our country great - we have the freedom to choose; the most efficient capital markets, the best post-secondary education system, dedicated civilians, and the best

military. Our company is at the meeting point of all these things.

We are the only public company that I am aware of who is committed to serving the military and public service professionals. I think it is a great opportunity for investors to support our nation's military and public service professionals while hopefully earning a good return.

I think our growth will be determined by our ability to manage the company because the demand is there for our educational offerings. People may miss our message of our affordability because we are just beginning to get the word out. I think people will love our story once they hear about it. It is up to us to get the word out more.

It is a challenge to grow at over 70% in a year, which is the rate we are growing this year. Hyper growth can put a strain on your employees and management team. At some point, will return to a more normal growth rate of around 40% per year. We think we can grow at that level and maintain our quality.

We are also humbled by the opportunity; we monitor and manage our growth so that it is consistent and reasonable. We are focused on maintaining the quality of our programs as we grow. These are the good types of challenges we face."



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