



**CHANGE OF CONTROL, STRUCTURE, OR
ORGANIZATION APPLICATION**

Presented to

The Higher Learning Commission

By

American Public University System

December 2016

Table of Contents

<u>A.</u>	<u>General Introduction</u>	<u>1</u>
<u>A.1</u>	<u>Background.....</u>	<u>1</u>
<u>A.2</u>	<u>Description of Proposed Change.....</u>	<u>3</u>
<u>A.3</u>	<u>Overview: Transactional Documents.....</u>	<u>7</u>
<u>A.4</u>	<u>Overview: Institutional Statement.....</u>	<u>7</u>
<u>A.5</u>	<u>Summary.....</u>	<u>9</u>
<u>B.</u>	<u>Transactional Documents.....</u>	<u>10</u>
<u>B.1</u>	<u>Related Agreements.....</u>	<u>10</u>
<u>B.2</u>	<u>Articles of Incorporation.....</u>	<u>10</u>
<u>B.3</u>	<u>New or Revised Corporate Documents.....</u>	<u>10</u>
<u>B.4</u>	<u>Relevant Filings with the Securities and Exchange Commission (SEC).....</u>	<u>10</u>
<u>B.5</u>	<u>Relevant Filings with the U.S. Department of Education.....</u>	<u>11</u>
<u>B.6</u>	<u>Financial Information.....</u>	<u>11</u>
<u>B.7</u>	<u>Organizational Charts.....</u>	<u>12</u>
<u>B.8</u>	<u>Lists of Key Administrators and Governing Board Members.....</u>	<u>12</u>
<u>C.</u>	<u>Institutional Statement.....</u>	<u>13</u>
<u>C.1</u>	<u>Mission of the Institution.....</u>	<u>13</u>
<u>C.2</u>	<u>Educational Program.....</u>	<u>14</u>
<u>C.3</u>	<u>Current Delivery Mode.....</u>	<u>22</u>
<u>C.4</u>	<u>Current Student Enrollment.....</u>	<u>24</u>
<u>C.5</u>	<u>Identify Projected Enrollment.....</u>	<u>25</u>
<u>C.6</u>	<u>Marketing Plan.....</u>	<u>26</u>
<u>C.7</u>	<u>Business Plan.....</u>	<u>29</u>
<u>C.8</u>	<u>Immediate and Long-range Strategic Planning.....</u>	<u>29</u>
<u>C.9</u>	<u>Governance and Management Structure.....</u>	<u>30</u>
<u>C.10</u>	<u>Experience in Higher Education.....</u>	<u>31</u>
<u>C.11</u>	<u>Current Faculty.....</u>	<u>31</u>
<u>C.12</u>	<u>Student Learning Assessment</u>	<u>33</u>
<u>C.13</u>	<u>Continued Eligibility Requirements.....</u>	<u>36</u>
<u>C.14</u>	<u>Identified Challenges Addressed Since the Last Visit.....</u>	<u>49</u>
<u>C.15</u>	<u>Additional Information.....</u>	<u>49</u>

CHANGE OF CONTROL, STRUCTURE, OR ORGANIZATION APPLICATION
Higher Learning Commission

A. General Introduction

American Public University System (“APUS” or the “University”) proposes to enter into a shared services model with its parent corporation, American Public Education, Inc. (“APEI”), for the provision of certain business functions to support APUS in continuing to achieve its mission by preparing students for productive contributions to their professions and society. By “shared services model,” we mean that APEI would perform certain business functions on a shared basis for the benefit of APUS, APEI, and other APEI subsidiaries or entities. In this manner, APUS and the other entities receiving services will benefit from efficiencies and additional expertise. The shared services model will be formalized through execution of a Services Agreement and several Service Schedules that will incorporate details about each business function that APEI will provide to APUS. Seven business functions will be part of the shared services model: human resources; marketing; legal services (including state authorization and government relations); finance; facilities services; information technology; and institutional research/analytics.

As described in the cover letter to this application, APUS believes the implementation of a shared services model is not a “transaction” that requires approval under HLC’s Policy on Change of Control, Structure, or Organization. APUS understands that based on this submission HLC staff will determine whether the proposed shared services model requires any additional HLC action. If HLC staff determines that the implementation of a shared services model does require HLC approval, APUS respectfully requests that HLC approve the change for several reasons. First, the implementation of a shared services model as between APEI and its subsidiary institutions is consistent with industry practice and is an efficient use of resources. In addition, as described in this submission, APUS, with the new shared services structure, will not only continue to meet HLC’s Eligibility Requirements, Assumed Practices, and Criteria for Accreditation, but will be well positioned to achieve its mission through efficient deployment of resources. Furthermore, after implementation of the shared services model, the University will continue to be supported by adequate financial resources, and institutional leaders who will play a key role in execution of the shared services model have sufficient experience, qualifications, and resources to implement the shared services model and operate the University successfully.

APUS appreciates the assistance of HLC staff during this process, and the University looks forward to receiving the results of your review. Should you have any additional questions about this application, APUS welcomes further discussion.

A.1 Background

APEI currently has two wholly-owned operating subsidiaries, APUS and Hondros College of Nursing, and in the future may have additional subsidiaries. APUS provides online postsecondary education for Bachelor’s and Master’s degrees for its military and public service constituencies. APUS is an online university that is comprised of American Military University (“AMU”) and American Public University (“APU”). As of 9/30/2016, APUS has approximately 90,970 students and offers 103 degree programs and 100 certificate programs, including programs in areas related to national security, military studies, intelligence, homeland security, criminal justice, technology business administration, education, health science, and liberal arts. APUS employs approximately 410 full-time and 1,800 part-time faculty members.

APUS values its strong and productive relationship with HLC, which underpins APUS's efforts to improve continuously educational quality consistent with the purpose of accreditation. APUS was first granted accreditation from HLC in May 2006 and most recently underwent reaffirmation of accreditation in June 2011. A standard mid-cycle Assurance Review, which had been scheduled for 2017, has been rescheduled for January 2018. The next comprehensive evaluation/reaffirmation of accreditation is scheduled for 2020-2021.

APEI and its subsidiaries, which together provide online and on-campus postsecondary education to students, believe that now is an optimal time to adopt a shared services model. The growth of APEI in terms of investments and related activities, including APEI's acquisition of Hondros College of Nursing on November 1, 2013, and an expectation that APEI's activities outside of APUS will further grow has motivated APUS and APEI to reconsider certain ways in which the parent and subsidiary entities interact. As the APUS Board of Trustees considered such a change, it anticipated the implementation of a shared services model as another step to enhance the operations of APUS. The APUS Board of Trustees believes the shared services model will benefit APUS by promoting efficiencies across APEI and providing APUS with access to additional experience and expertise held by APEI's senior leaders. The shared services model has the commitment of leaders of APUS and APEI, including the President of APUS and the CEO of APEI; it has the involvement of key personnel to design, implement, and sustain the initiative; and it has an agreed-upon, defined plan for integrating the shared services model into the ongoing work of the University.

Goals and Purpose

APUS has decided to pursue a shared services model for several reasons, each of which APUS believes is consistent with an overarching goal of continuing to strengthen the University and its operations.

First and most importantly, a shared services model will allow APUS to deliver the services provided to students in a way that is consistent with the institution's mission. After careful analysis, APUS has selected the business functions that will be part of the shared services model where it has determined that successful implementation of the shared services model with respect to such functions will allow APUS to achieve financial efficiencies by spreading the costs of certain operations over multiple entities. In addition, APUS selected the business functions that will be part of the shared services model based on a belief that a shared services model for those functions will result in high-quality services delivered to APUS. Financial efficiencies and high-quality services will enhance APUS's delivery of services to students consistent with its mission.

Second, implementation of a shared services model is consistent with business practices across higher education and will build upon recent efforts at APUS to innovate where appropriate. A shared services model is becoming a standard practice industry-wide for both proprietary and not-for-profit institutions, including public university systems. Observing these industry trends, both APUS and APEI recognized the opportunity to improve service delivery by adopting a model that capitalizes on APEI's ability to provide services efficiently to its subsidiary entities. This path is in alignment with other recent innovations made to streamline APUS's operations (e.g., through pilot projects with IT and within the University's online classroom). Thus, a move to adopt a shared services model is consistent with the University's deliberative and forward-thinking plans for the continued development of APUS.

Third, APUS believes that implementation of a shared services model will position the University for long-term success consistent with its strategic plan. The University's strategic planning process is informed by the APUS mission, vision, and core values. Initiatives within the strategic plan are

developed with a focus on three pillars that encompass the work of the University for the service of its stakeholders: Academic Excellence; Strategic Enrollment Growth; and, Organizational Effectiveness. Although implementation of the shared services model will not change the mechanics of the APUS strategic planning process, APUS believes that various initiatives in the current strategic plan will be aided by implementation of the shared services model, which will provide APUS with consistent delivery of the business functions that are a part of the model while permitting APUS leaders to focus on delivery of high-quality online education consistent with the APUS strategic plan. See [Exhibit \[A\]](#) for the 2017 strategic plan.

Based on these motivating forces and goals, APUS and APEI have developed jointly a shared services model. The model was negotiated in good faith with oversight by joint committees of APEI and APUS Board representatives and fosters a collaborative relationship between APEI and APUS. The shared services model that APEI and APUS have developed focuses on centralizing seven business functions and will give APUS formalized service support with respect to those business functions. The model includes procedures for issue resolution, and the relevant agreements establish clear expectations for the standard of services to be delivered. APUS believes the shared services model will produce a business environment within the shared services functions where potential issues are identified and resolved quickly and where APUS can receive high-quality services consistent with its expectations and under its oversight.

A.2 Description of Proposed Change

Nature of the Agreement

APUS plans to enter into a shared services model with its parent corporation, APEI, for the provision of certain business functions to support APUS. As proposed, APUS and APEI will enter into a Services Agreement, which together with various Service Schedules will define the services to be provided by APEI to APUS and define also the performance standards related to such services. Seven business functions will be structured so as to be delivered via the shared services model: human resources; marketing; legal services (including state authorization and government relations); finance; facilities services; information technology; and institutional research/analytics. The Services Agreement will set forth the terms and conditions that will apply to the shared services model generally, regardless of business function. For each business function, the scope of services and the requisite standards of performance to be provided are detailed in separate Service Schedules. Exhibits to each Service Schedule include a Service Description and Service Level Agreement (“SLA”) Matrix.

The shared services model will not change the locus of control of APUS (i.e., as defined in the HLC Policy on Change of Control, Structure, or Organization, the “possession, direct or indirect, of the power to direct or cause the direction of, the management and policies of [APUS]”). After adoption and implementation of the shared services model, the APUS Board of Trustees will continue to be in control of academic and operational matters at APUS, and the Board will continue to function according to its bylaws. In addition, where responsibilities have been delegated by the APUS Board of Trustees, the President of APUS will continue to have responsibility for the day-to-day management, administration, and operation of APUS, including day-to-day oversight of all services delivered by APEI under the shared services model. APUS—through the APUS Board of Trustees, President of APUS, and University management—will maintain direct control over all academic, curricular, student support functions, university operational functions that are necessary attributes of an institution of higher education. Academic and student facing functions (e.g., teaching, course development, financial aid, student accounts, student services, accreditation, assessment, professional development and outreach,

enrollment management) continue to be performed by APUS and will not be subject to the Services Agreement, and business functions and operational matters that are not identified in the Services Agreement will continue to be delivered by APUS. APUS retains the right to opt out of any Service Agreement should agreed upon terms not be met, and the Agreements do not establish exclusive relationships.

Implementation of the shared services model will not constitute a “transfer of substantial academic or operational control of APUS to a third-party entity.” Under the proposed shared services model, APUS, *via* the APUS Board of Trustees and the President, will remain in control of all academic and operational functions of the University. Academic functions will remain exclusively within the domain of APUS. The services that will be delivered under the shared services model are business services that higher education institutions often contract with a third party to provide in order to achieve financial efficiencies and to access experience and expertise. For these non-academic services, the APUS Board of Trustees, the President, and University Leadership, will maintain operational control through the structure of the shared services model, including contractual rights and protections and direct reporting relationships.

Furthermore, the Services Agreement that constitutes the contract between APUS and APEI includes terms that formalize the parties’ intent that control remain with APUS. For example, in the Services Agreement, the parties agree that APUS will maintain direct control over all academic and other operational functions that are necessary attributes of an institution of higher education, and APEI agrees to comply with any APUS policies and requirements that are applicable to the services that APEI delivers under the Services Agreement. Terms in the Services Agreement that address ongoing oversight and review of the shared services also ensure that control remains with APUS once the agreements have been signed. For all of the above reasons, the shared services model does not require modification of the institution’s Statement of Affiliation Status.

Process for Development of the Shared Services Model

The APUS Board of Trustees was meaningfully involved in the process used to develop the shared services model and to draft the Services Agreement, Service Schedules, and related exhibits. The Board discussed the feasibility and value of a shared services model and thoughtfully supported implementation of such a model. As explained earlier, the appointment of the new APUS President and move of the APEI CEO to full-time leadership of APEI provided an opportunity to frame the shared services initiative, which is fully supported by the APUS Board of Trustees. The development process was thoughtful and thorough, involving key internal stakeholders who contributed valuable experience and expertise. After the APUS Board approved moving forward with planning for the shared services model, the APUS Board formed a special committee to provide Board-level input into the process. The special committee asked representatives of the APEI Board of Directors to join the special committee in order to ensure a direct line of communication between the two Boards with respect to the implementation of the shared services model and to confirm that the APEI Board of Directors continued to share the APUS Board’s vision with respect to autonomy and oversight over wholly University functions. In addition, APUS engaged KPMG (an international professional services company that, among other things, provides advisory services) to provide administrative support, advice, and planning tools during the process. This special committee met regularly with members of the administration and KPMG to review the process for planning for the implementation of the shared services model and development of the Services Agreement and Service Schedules. APUS also received advice from outside counsel to ensure compliance with generally accepted principles.

At the University level a Steering Committee was formed, supported by a project management office to coordinate day-to-day activities related to developing the shared services model, with particular focus on the Service Schedules. Under the project management office, a functional team was established to focus on each of the seven business functions that will be a part of the shared services model: finance; facilities; legal services (including state authorization and government relations); marketing; IT; human resources; and institutional research/analytics. Functional teams were also formed to focus on accreditation and internal communications matters. The teams were charged with the design of the shared services and allocation of responsibilities in their specific functional areas. The project management office worked with the functional teams to draft Service Schedules related to the functions. The Service Schedules were reviewed, revised, and approved by the Joint Steering Committee and then an executive team comprised of senior APUS and APEI leaders provided input to the documents. Finally, prior to submission to the APUS Board special committee, the APUS President and APEI CEO provided input into the Service Schedules. This process, although not strictly linear, provided iterative drafts that were carefully reviewed with input obtained from stakeholders in response to higher level review and comment. Development of the Services Agreement itself followed a similar process. **Exhibit [B]** sets forth the graphical representation of the Project Governance structure that was shared with all involved parties and approved by the APUS Board special committee.

The APUS Board special committee provided feedback on the Services Agreement and the Service Schedules to the University administration, and it regularly updated the full APUS Board of Trustees on the process. After ensuring that the documents reflected their input, APUS Trustees on the special committee ultimately recommended that the APUS Board approve the model. The full APUS Board reviewed and provided feedback on the proposed model and terms of the Services Agreement. At a meeting on December 8, 2016, the APUS Board of Trustees approved the draft Services Agreement and the draft Service Schedules, contingent on relevant HLC action.

Implementation of the Shared Services Model

APUS and APEI have appointed senior executives to serve on a Shared Services Committee that will be responsible for governance of the overall shared services model. For day-to-day operational matters, each party will also appoint a service management lead and an operational lead for each Service Schedule adopted under the Services Agreement. The service management leads, subject to the oversight of the Shared Services Committee, are charged with oversight of the provision of the Services under the applicable Service Schedule, including with respect to tracking performance, providing guidance to the operational leads to resolve operational issues that are identified, escalating notifications and providing leadership, among other matters. The service management leads will appoint operational leads who are responsible for the general planning and execution and delivery of, or receipt of, as applicable, services in accordance with the applicable Service Schedules.

Through the committee structure and the designation of service and operational leads, the shared services model is intended to ensure that APUS has appropriate governance and insight into the delivery of the shared services, as well as a structure for the parties to work collaboratively and in the best interests of students. For example, the Services Agreement provides that in case a dispute arises, representatives of the parties will meet and negotiate in good faith within five days to resolve the concern. The structure is also intended to make sure that the shared services model appropriately reflects what is necessary for APUS to continue to serve its mission. For example, the Services Agreement expressly contemplates the ability of the service management leads to make change requests to the Shared Services Committee.

In general, the Shared Services Committee, comprised of representatives of APUS and APEI, will be responsible for oversight of the administration of the overall shared services arrangement, including by providing strategic direction and improvement goals, reviewing and resolving any issues that are escalated to the Shared Services Committee, and making recommendations to APUS and APEI concerning any amendments or modifications. As described in the Services Agreement, APUS and APEI will also meet in the second quarter of 2018 in a process led by APUS and APEI leadership and directed by the respective Boards and every three years after that to review collaboratively the status of the shared services arrangement and, if appropriate, modify the agreements or take other action with respect to the overall allocation of shared services. In addition, during the first three years, APUS will conduct an annual internal assessment of the functioning of the shared services to ensure accountability and monitor progress.

Names and Addresses of Relevant Parties

APUS is an HLC-accredited institution, with an address at 111 West Congress Street, Charles Town, West Virginia. APEI, located at 111 West Congress Street, Charles Town, West Virginia, is the corporate parent, and sole owner, of APUS. There are no other institutions that are a party to the proposed shared services model as applied to APUS. It is contemplated that APEI will also enter into a shared services model with its other wholly owned subsidiary, Hondros College of Nursing (HCON). HCON is not accredited by HLC.

Required Internal or External Approvals

The Services Agreement must be approved by the APUS Board of Trustees. As described above under *Nature of the Agreement*, this approval is subject to a robust internal process for development and review of the model. At a meeting on December 8, 2016, the APUS Board of Trustees approved the draft Services Agreement and the Service Schedules, contingent on relevant action by HLC. APUS and APEI plan to execute relevant documents and enter into the shared services model promptly after receiving confirmation from HLC that the shared services model either does not qualify as a change that requires approval or that HLC has approved the Change Application.

APUS understands that implementation of a shared services model does not require any external approvals, other than HLC if HLC determines that approval is required in connection with this application. APUS believes the shared services model does not require approval of or notification to the U.S. Department of Education (“ED”) because ED would not consider the implementation of a shared services model to be a change of ownership resulting in a change of control under ED regulations. In addition, financial aid administration is not part of the shared services model. APUS also understands that implementation of a shared services model does not require approval by relevant state licensing agencies--West Virginia Higher Education Policy Commission or the State Council for Higher Education for Virginia. Several APUS programs are accredited by specialized accreditors, including the Accreditation Council for Business Schools and Programs (“ACBSP”) and the Commission on Collegiate Nursing Education (“CCNE”). APUS is currently in accreditation processes with the Council on Education for Public Health (“CEPH”) and the International Fire Service Accreditation Congress (“IFSAC”). CEPH and IFSAC have been on campus for site visits, and decisions on the programmatic accreditations are anticipated by July 2017. APUS understands that the proposed shared services model does not require approval by any of the aforementioned specialized accreditors. Following implementation of the shared services model, responsibility for compliance with accreditation requirements will continue to be held by APUS.

Projected Closing Date for the Transaction

APUS and APEI plan to execute and implement the shared services model promptly after receiving confirmation from HLC that the shared services model either does not qualify as a change that requires approval or that HLC has approved the application for a change of structure. Please note that implementation of the shared services model is not like a sale of stock or assets with a “closing date.” For purposes of this application, any reference to a closing date should be assumed to mean the date on which the Services Agreement will be signed by APUS and APEI.

Expected Outcomes

APUS expects and will ensure that the model will have certain, predictable outcomes and greater efficiencies if implemented as planned. The APUS Board of Trustees and APUS management will continue to control and operate the University. APUS will maintain oversight of the business functions delivered to APUS under the shared services model, and the Services Agreement includes a built-in process for resolving any issues that may arise. The Services Agreement provides that APUS may terminate the Services Agreement in whole or in part due to APEI’s failure to maintain APUS’s requirements.

A.3 Overview: Transactional Documents

As requested, APUS is supplying as part of this submission copies of transactional documents that provide information relevant to understanding the implementation of the shared services model:

1. Services Agreement;
2. Shared Services Schedules for each relevant business function, incorporated in the Services Agreement;
3. Financial information;
4. Organizational charts; and
5. Lists of key administrators.

Because the transaction involves APEI, APUS’s corporate parent, the documents address the outcome of the implementation of the shared services model for APUS as well as how the implementation of the shared services model will affect APEI.

As instructed in HLC INST.B.20.040, in this submission APUS identifies in Section **B** (“Transactional Documents,” pp. [10]-[12]), with specificity certain documents not relevant to the implementation of the shared services model and therefore not included in this submission. Those documents that are not relevant for various reasons include the following items:

1. #2, Revised or new Articles of Incorporation, Articles of Merger, etc., arising out of the transaction;
2. #3, New or revised corporate documents;
3. #4, Filings completed with the SEC; and
4. #5, Pre-acquisition packet filed with the U.S. Department of Education and information filed with the state higher education agency.

A.4 Overview: Institutional Statement

As described in more depth in Section **C** of this submission (“Institutional Statement”), APUS is committed to carrying out the shared services model in a way that maintains compliance with HLC’s Eligibility Requirements, Assumed Practices, and Criteria for Accreditation:

1. The mission of APUS will not change as a result of implementation of the shared services model. APUS will continue to provide high quality higher education with an emphasis on educating the nation's military and public service communities by offering respected, relevant, accessible, affordable, and student-focused online programs that prepare students for service and leadership in a diverse, global society. The shared services model will enhance efficiency and thereby strengthen APUS's ability to more closely achieve its mission in serving its students. It is hoped that the shared services model will contribute to increased student retention and persistence by allowing APUS leadership to spend more of its time focusing on these important issues, while it leverages the expertise at APEI to assist with other general business functions.
2. Existing educational programs offered by APUS will not change as a result of implementation of the shared services model, nor will the process APUS uses to develop new programs change. Students enrolled in APUS educational programs will continue to be supported by efficient back-office functions, including information technology support for the online classroom.
3. The APUS online delivery modality will not change as a result of implementation of the shared services model. Under the shared services model, APEI will continue to provide technology and classroom support for APUS's online classrooms. APUS expects no disruption to students as a result of implementation of the shared services model.
4. The student enrollment by department and modality at APUS is expected to continue with no change as a result of the implementation of the shared services model. Any change will be due to external forces (i.e., trends in the market for higher education) or internal forces unrelated to the shared services model. APUS expects no disruption to students as a result of implementation of the shared services model.
5. APUS, like other institutions, is subject to enrollment pressures more broadly in the market, and APUS's strategic plan and marketing plan are responsive to those trends. Changes in projected enrollments are a function of these trends, and APUS is addressing these challenges, including by enhancing the breadth and quality of its academic offerings and services to students.
6. The University's marketing plan will continue to focus on attracting career-motivated students, emphasizing persistence over new student growth, while controlling marketing expenditures and operating costs to ensure that programs remain affordable.
7. The University's business plan will continue to focus on the quality of an APUS education and in investing to enhance the educational experience for its students. APUS and APEI will have the financial resources both to support ongoing operations and to invest in the faculty, staff, and technologies central to fulfilling the APUS mission.
8. APUS will continue to focus on its existing strategic plan as adopted by the APUS Board of Trustees. Future strategic planning will continue to be directed by University management and the APUS Board of Trustees, with APEI management and the APEI Board of Directors serving in an advisory capacity.
9. The governance and management structure of APUS will not change. The locus of control of APUS will continue to be the APUS Board of Trustees, and the Board will continue to operate under its bylaws. The President of APUS will continue to be responsible for the day-to-day management, administration, and operation of APUS, including services delivered by APEI under the shared services model.

10. Key administrators have knowledge and experience in higher education that will be called upon in implementing the shared services model. In general the same key administrators who have been responsible for managing the various functions at APUS will be responsible for those functions when they are provided by APEI pursuant to the shared services model.
11. APUS faculty and its employment relationships with such faculty will not change as a result of implementation of the shared services model.
12. APUS's efforts to measure student learning through assessment will continue after implementation of the shared services model. The current learning outcomes assessment department is housed under academics at APUS and the shared services model will not impact the assessment department's structure or function.
13. APUS will continue to meet each of the Eligibility Requirements and Criteria for Accreditation.
14. Implementation of a shared services model will strengthen APUS's efforts to address challenges identified by HLC concerning improvements to graduate studies.

A.5 Summary

If HLC determines that implementation of a shared services model is a change that requires approval, APUS respectfully requests that HLC staff recommend approval of a change of structure. Following implementation of a shared services model, APUS will continue to meet HLC's Eligibility Requirements, Assumed Practices, and Criteria for Accreditation. In addition, there is sufficient financial support for implementation of the shared services model. As of June 30, 2016, APUS had \$34 million in cash and cash equivalents, total assets of \$157 million, and no long-term debt. As of June 30, 2016, APEI had \$86 million in cash and cash equivalents, total assets of \$149 million, and no long-term debt.

The University leadership and Board of Trustees have determined that the Services Agreement and the Service Schedules are fair to APUS. The amounts to be paid to APEI under the shared services model will be based on a cost allocation model that is not intended to serve as a profit center for APEI, and the services that will be delivered under the shared services model are business services that higher education institutions often contract with a third party to provide in order to achieve financial efficiencies. Here, although the third party is APUS's parent corporation, the parties engaged in a thorough and rigorous process to negotiate the terms of the Services Agreement, utilizing the resources and advice of experienced outside advisors. As a result, APUS expects that under the shared services model it will experience at least the same, if not improved, quality of service as it currently has with respect to the relevant functional areas. In the unexpected event that APUS does not realize such quality, the University may terminate the Services Agreement and obtain the services from another source. The APUS and APEI employees and officials who will play a key role in the shared services model have significant experience in higher education, are qualified to perform their roles, and will be supported with adequate financial and human resources. Generally, the individuals who will have responsibility for delivering services under the shared services model are the same well-qualified individuals who are responsible for those services presently, and APUS can or will make additional hiring decisions as warranted.

APUS thanks the HLC staff for your consideration of this submission and for your assistance in the review process. The University appreciates your careful attention to this proposal, which is designed to continue APUS's proud tradition as a high-quality provider of online higher education.

B. Transactional Documents

- B.1 Contract of sale or transfer, or purchase agreement, including all attachments, exhibits and related agreements or merger agreement, as applicable.

The draft Services Agreement between APUS and APEI for the provision of certain business functions is attached as **Exhibit [C]**. As described in the draft Services Agreement, the parties plan to enter into Service Schedules related to each of the relevant business functions that will be provided pursuant to the Services Agreement. The APUS Board of Trustees discussed and approved the draft Services Agreement and the various Service Schedules in a meeting on December 8, 2016, contingent on relevant action by HLC. APUS and APEI plan to execute relevant documents and enter into the Services Agreement and related documentation promptly after receiving confirmation from HLC that the shared services model either does not qualify as a change that requires approval or that HLC has approved the Change Application.

- B.2 Revised or new Articles of Incorporation, Articles of Merger, etc., arising out of the transaction. Institutions must include the Articles of Incorporation for the buyer, all related corporations, and related investors.

Implementation of the shared services model will not require revisions to the Articles of Incorporation of either APUS or APEI. The Articles of Incorporation and Certificate of Incorporation for APEI are attached as **Exhibit [D]**, and the Articles of Incorporation and Certificate of Incorporation for APUS are attached as **Exhibit [E]**.

- B.3 New or revised corporate documents including Corporate Bylaws, Operating Agreement (LLC), Partnership or Joint Venture Agreement, etc. arising out of the transaction. Institutions must include the Bylaws for the buyer, all related corporations, and related investors.

Implementation of the shared services model will not require any revisions to the APUS bylaws. The bylaws are attached as **Exhibit [F]**, and were most recently amended in November 2016 to reflect that the APUS President does not serve also as the CEO of APEI and also to reflect other current governance practices (e.g., all committees are comprised of a majority of “independent trustees”, clarifying the role of ex-officio members). The amendments to the bylaws were approved by the APUS Board of Trustees, which is expressly authorized and empowered to amend the APUS bylaws by Article 6 of the APUS Articles of Incorporation; see **Exhibit [E]**.

- B.4 For stock-related transactions, relevant filings completed with the Securities and Exchange Commission (SEC) including the S-1 and the 8-K as applicable.

Implementation of the shared services model is not a stock-related transaction. In connection with the appointment of a new President of APUS, APEI filed a Form [8-K on December 14, 2015](#) to disclose that APUS issued a press release announcing that it had commenced a search for a new President of APUS in connection with an anticipated organizational realignment under a shared services model. On May 27, 2016, APEI filed a [Form 8-K](#) to disclose, among other things, that APUS had appointed Dr. Karan Powell as President of APUS, effective July 1, 2016. In the Form [10-K filed on February 29, 2016](#), APEI referenced the search for a new President and potential shared services model in two places: Item 1A, Risk Factors, and Item 7, Management’s Discussion and Analysis of Financial Condition and Results of Operations. See *id.* at page 42 and page 78. APUS understands that HLC staff considered these disclosures in its assessment of whether a Change Application is required. Accordingly, APUS wants to

make certain that these changes are understood in context. The specific requirements of Item 1A of Form 10-K require discussion of items that APEI—not necessarily APUS—views as risks that are attendant to the operations of APEI, and the requirements of Item 7 of Form 10-K similarly require discussion of trends and uncertainties that APEI—not necessarily APUS—views as having the potential to have an impact on the financial results and operations of APEI. APEI’s disclosures focused on risks related to the transition to a new APUS President and certain elements of the anticipated shared services model. The discussion of the attendant risks and uncertainties in the transition to a new APUS President and anticipated shared services model should not be considered to reflect the view of APEI, or even of APUS, that the outlined risks are likely to occur, but rather that they could possibly occur, nor should the discussion be considered to reflect an assessment of whether such risks, if they were to occur, would materially affect APUS. APEI also describes risks related to many other things that are not expected to alter meaningfully the operations of APUS including, for example, the risk that future government regulations relating to the internet could impact operations. The discussion in the Form 10-K is directly responsive to the SEC’s requirements that those sections identify risks and uncertainties. For example, as with any change in an institution’s president, there is a risk for operational or strategic shifts in direction, even where the mission of the institution has not changed. Similarly, the anticipated shared services model required planning and administrative changes in the way basic business functions are handled (e.g., payroll, access to information technology systems, and other technical matters). To this point, APUS engaged KPMG to provide advice on structural matters. But, the risks that are described by APEI in this regard are the same types of risks that any institution would disclose if it were rolling out a new enterprise resource planning system or other technical, IT-intensive system.

B.5 Pre-acquisition packet filed with the U.S. Department of Education and information filed with the state higher education agency. Pre-acquisition review letter issued by the U.S. Department of Education and letter of approval from state higher education agency or a letter from such agency indicating why approval is not required.

Implementation of the shared services model is not a change in ownership resulting in a change of control under U.S. Department of Education regulations, and it therefore does not require approval by the U.S. Department of Education. In this case, no person or corporation will obtain new authority to control APUS’s actions (i.e., no person or corporation will acquire an ownership interest in APUS or APEI, and no person or corporation will attain the ability to control the University)—that power will continue to be vested in the APUS Board of Trustees. Because implementation of the shared services model is not a change in ownership and control requiring the approval of the U.S. Department of Education, APUS has not sought a “pre-acquisition review” by the Department.

APUS notified the U.S. Department of Education of the appointment of a new President of APUS by reporting the change and the date of the change to the Department within ten (10) calendar days after the change.

APUS understands that implementation of the shared services model does not require approval by relevant state higher education licensing agencies—the West Virginia Higher Education Policy Commission (WVHEPC) or the State Council for Higher Education for Virginia (SCHEV).

B.6 Financial information to include the most recent external audit, current budget, Form 990, and six months of cash statements for the buyer, for the institution, and for any parent corporation or for a subsidiary holding a controlling or other relationship with the accredited institution. Buyers and institutions that are for-profit

entities should submit two years of federal income tax forms for their corporation and related corporations under the same parent entity. Investors or other third parties must also provide their most recent external audit and tax return. If they do not have an audit, they must provide third-party verification from a bank or other source documenting the funds to support the transaction and other funds to support any investment to be made in the institution within the first year subsequent to the closing of the transaction.

As requested, APUS is submitting:

1. The external audit of APEI on a consolidated basis for the year-ended December 31, 2015, see Exhibit [G];
2. The most recent external Generally Accepted Government Auditing Standards (“GAGAS”) audit of APUS for the year-ended December 31, 2015; see Exhibit [H],
3. Current budget; see Exhibit [I], and
4. Unaudited statements of cash flows for APEI and APUS for the nine-month period ended September 30, 2016; see Exhibit [J].

APUS is not submitting a Form 990 because APUS is not an organization exempt from income tax that is required to submit a Form 990. APUS is submitting two years of federal income tax returns for APEI and APUS. See Exhibit [K].

- B.7 Organizational chart showing the institution, any parent or holding companies, governing boards, and key administrators at all levels, currently in place and as anticipated by the transaction. Such charts should outline the relationship between the accredited institution and the corporate structure after the close of the transaction.

Organizational charts for APUS both before and after implementation of the shared services model, including the APUS Board of Trustees and key administrators, are attached as Exhibits [L] and [M], respectively. Organizational charts for APEI both before and after implementation of the shared services model, including the APEI Board of Directors and key administrators, are attached as Exhibit [N] and [O], respectively. As these organizational charts demonstrate, there is no change to the overall governance structure of APUS.

- B.8 Lists of key administrators and governing board members, including qualifications and disclosure statements, at the institution and at each corporate level senior to the institution subsequent to the transaction. Identify any hiring or recruiting that must be done at these levels as a result of the transaction.

A list of and biographical information about individuals who will serve as key administrators at APUS after implementation of the shared services model is attached as Exhibit [P]. A list of and biographical information about the individuals who will serve as key administrators at APEI after implementation of the shared services model is attached as Exhibit [Q]. After the implementation of the shared services model, the same key administrators who have been responsible for managing the various functions when they were managed within APUS will be responsible for those functions once the shared services are provided by APEI. There is no additional hiring that is anticipated at APUS as a result of the shared services model, though each of APUS and APEI regularly consider their respective staffing needs.

C. Institutional Statement

- C.1 Explain the mission of the institution before the transaction. How will the mission change subsequent to the transaction? If the current mission will continue, how will the institution with new buyers or investors support the mission under new control or structure?

The University's mission document, reproduced below, publicly articulates its mission statement, vision, and core values, is widely distributed and referenced in major institutional documents and communications, and is published on the institution's website. The mission statement declares the University's fundamental purpose and influences its priorities, decisions, and intentions. The vision statement declares what APUS wishes to achieve in the long term. The core values reflect the founding principles on which APUS was established. The mission document, including the mission statement, will not change as a result of the implementation of a shared services model, and the APUS Board of Trustees and University leadership will continue to support the mission.

2016 Mission Statement

American Public University System's mission is to provide high quality higher education with emphasis on educating the nation's military and public service communities by offering respected, relevant, accessible, affordable, and student-focused online programs that prepare them for service and leadership in a diverse, global society.

Vision

American Public University System comprised of American Military University and American Public University seeks to advance social, economic and environmental well-being through the transformative power of education with:

- dynamic, engaging, quality learning experiences;
- best-in-class student interfaces;
- diverse and career relevant degree programs;
- communities of lifelong learners and practice in selected disciplines;
- evaluation of transfer credit and competency-based learning;
- affordability relative to public institutions;
- strategic Partnerships with key stakeholders; and
- thought leadership that contributes to effective change in higher education.

Core Values

The University System is guided in fulfilling its mission by these shared principles and core values:

Learning, Quality, Integrity, Accountability, Access to Underserved, Adaptive and Responsive, Innovation, Collaboration, Freedom of Inquiry, Diversity.

The APUS Board of Trustees and University leadership give continuing attention to the mission statement, vision, and core values documents. The mission statement is reviewed annually by the APUS leadership team and the APUS Board of Trustees as part of the strategic planning process. Suggested amendments are typically discussed during the August/September strategic planning meeting before being approved during the December meeting of the APUS Board of Trustees in concert with strategic plan updates. Since 2009, the mission statement has had only minor word changes for better definition and representation. The mission statement remains faithful to its founding principles.

There is a high degree of consensus about the current mission within the University. The APUS Board of Trustees, administration, faculty, and staff see the mission taking APUS into the future it sees for itself. APUS holds to a mission, vision, and values that give meaning to service and integrity for the institution. The University is serious about academic excellence, about service, and about teaching with appropriate focus on learning outcomes. Trustees, administration, faculty, and staff respond to the needs of students and see student service and mentoring as strengths of APUS. The University aims, by mission, to increase its capacity and reputation to educate students well for leadership in a global and diverse world.

The APUS Board of Trustees demonstrates its commitment to the mission by upholding its duties of care and loyalty, acting always in the best interest of the institution. The APUS Board of Trustees is engaged with and supports the mission, and carries out its work through the Executive, Objectives and Purposes, Academic Affairs, and Student Affairs committees of the APUS Board of Trustees. In carrying out its work, the APUS Board of Trustees is guided by its bylaws and the APUS Board of Trustees Manual.

C.2 Outline the educational programs that the institution offers and explain how those programs will be continued and supported subsequent to the transaction. Identify any new programs the parties intend to initiate in the next five years and how these programs will be developed and by whom. Explain the learning and support resources for current and future programs. Include an academic plan prepared by the institution and the proposed buyers or investors that outlines planned academic programs and support services for the next five years.

Continuation of Academic Programs: Existing academic programs identified by CIP Code (Classification of Instructional Programs) are listed by credential level in the tables below. The academic programs that APUS offers will not change as a result of implementation of the shared services model. As described further following the tables, these programs will continue to be supported and subsequent to the implementation of the shared services model, and existing support services will remain in place.

CIP Code	Program Level	Credit Hours	Programs Offered
Associates Degrees			
52.0302	AS	62	Accounting
52.0101	AA	61	Business Administration
09.0101	AA	61	Communication
11.0301	AS	62	Computer Applications
43.0304	AA	61	Counter-Terrorism Studies
43.0104	AA	61	Criminal Justice
11.0802	AS	62	Database Application Development
19.0709	AA	61	Early Childhood Care & Education
29.0404	AS	64	Explosive Ordnance Disposal
43.0203	AS	62	Fire Science
24.0102	AA	61	General Studies
51.9999	AAS	60	Health Sciences
54.0101	AA	61	History
52.0905	AA	61	Hospitality
52.0201	AA	61	Management (name change from Personnel Administration)
54.0108	AA	61	Military History

CIP Code	Program Level	Credit Hours	Programs Offered
22.0302	AS	62	Paralegal Studies
51.2201	AS	62	Public Health
52.1501	AA	61	Real Estate Studies
52.1803	AA	61	Retail Management
52.0201	AAS	61	Technical Management
28.0605	AA	61	Weapons of Mass Destruction Preparedness
11.1004	AS	62	Web Publishing
Total Associates Degrees		23	
Bachelor's Degrees			
52.0301	BS	122	Accounting
52.0201	BBA	121	Bachelor of Business Administration
52.1301	BS	122	Business Analytics
43.0104	BA	121	Criminal Justice
43.0106	BS	121	Criminal Justice
11.1003	BS	122	Cybersecurity
14.1001	BS	126	Electrical Engineering
43.0302	BA	122	Emergency & Disaster Management
23.0101	BA	121	English#
52.0701	BA	121	Entrepreneurship
03.0104	BS	122	Environmental Science
43.0203	BS	122	Fire Science Management
24.0102	BA	121	General Studies#
28.0503	BA	121	Government Contracting and Acquisition (name change)
51.0706	BS	123	Health Information Management
54.0101	BA	121	History#
43.0301	BA	121	Homeland Security
52.0901	BA	121	Hospitality Management
19.0708	BA	124	Human Development and Family Studies (new name Dec 2013)
11.1003	BS	122	Information Systems Security
11.0103	BS	122	Information Technology
11.1005	BS	122	Information Technology Management
30.2001	BA	121	Intelligence Studies
45.0901	BA	121	International Relations#
22.0000	BS	122	Legal Studies
52.0201	BA	121	Management
52.1401	BA	121	Marketing
27.0304	BS	122	Mathematics
30.2601	BA	121	Middle Eastern Studies#
54.0108	BA	121	Military History#
30.1801	BS	122	Natural Sciences
51.3801	BSN	120	Nursing
38.0101	BA	121	Philosophy#
45.1001	BA	121	Political Science#
42.0101	BA	122	Psychology#

CIP Code	Program Level	Credit Hours	Programs Offered
51.2201	BS	121	Public Health
38.0201	BA	121	Religion#
52.1803	BA	121	Retail Management
52.0203	BA	121	Reverse Logistics Management
43.0112	BA	121	Security Management
45.1101	BA	121	Sociology#
15.0801	BS	124	Space Studies
31.0505	BS	123	Sports & Health Sciences
31.0504	BS	122	Sports Management
52.0201	BAS	121	Technical Management
52.0203	BA	121	Transportation & Logistics Management
Total Bachelor's Degrees		46	
Note: Pound sign (#) indicates liberal arts degree. Asterisk (*) indicates dual degree.			
52.0301	MS	36	Accounting
52.1301	MS	42	Applied Business Analytics
52.0201	MBA	39	Business Administration
43.0104	MA	36	Criminal Justice
11.1003	MS	36	Cybersecurity Studies
13.0401	MEd	36	Education: Educational Leadership
13.0101	MEd	36	Education: Teaching
43.0302	MA	36	Emergency & Disaster Management
*	DUAL	60	Emergency & Disaster Management and Homeland Security
52.0701	MA	36	Entrepreneurship
03.0103	MS	36	Environmental Policy & Management
51.0706	MS	40	Health Information Management
54.0101	MA	36	History
43.0301	MA	36	Homeland Security
24.0103	MA	36	Humanities
11.1003	MS	36	Information Technology
30.2001	MA	36	Intelligence Studies
45.0901	MA	36	International Relations & Conflict Resolution
22.0000	MA	36	Legal Studies
52.0201	MA	36	Management
54.0108	MA	36	Military History
54.0199	MA	36	Military Studies
30.2001	MA	36	National Security Studies
51.3801	MS	43	Nursing
45.1001	MA	36	Political Science
42.0101	MA	39	Psychology
44.0401	MPA	36	Public Administration
51.2201	MPH	47	Public Health
44.0501	MPP	36	Public Policy
52.0203	MA	36	Reverse Logistics Management

CIP Code	Program Level	Credit Hours	Programs Offered
43.0112	MA	36	Security Management
15.0801	MS	36	Space Studies
31.0501	MS	36	Sports and Health Sciences
31.0504	MS	36	Sports Management
52.0203	MA	36	Transportation & Logistics Management
Total Master's Degrees		34	
Undergraduate Certificates			
52.2101	UCert	18	Cloud Computing
11.1001	UCert	18	Computer Systems and Networks
43.0113	UCert	18	Corrections Management
30.2001	UCert	18	Counterintelligence
52.0301	UCert	24	CPA Examination Preparation
11.1003	UCert	18	Cybercrime Essentials
52.2101	UCert	18	Cybersecurity
43.0116	UCert	18	Digital Forensics
11.1004	UCert	18	E-Commerce
43.0302	UCert	18	Emergency Management
11.0801	UCert	18	Enterprise Web Applications
11.0801	UCert	18	Enterprise Web Applications using .NET
03.0103	UCert	18	Environmental Technology
29.0404	UCert	19	Explosive Ordnance Disposal
19.0704	UCert	18	Family Studies
43.0202	UCert	18	Fire Science
03.0103	UCert	18	Fish and Wildlife Management
43.0106	UCert	23	Forensics
43.0301	UCert	18	Foundations of Homeland Security
15.0508	UCert	18	Hazardous Waste Management
43.0301	UCert	18	Homeland Security
52.0201	UCert	18	Human Resource Management
19.0709	UCert	18	Infant and Toddler Care
11.1003	UCert	18	Information Security Planning
11.1003	UCert	18	Information Systems Security Essentials
13.0501	UCert	18	Instructional Design & Delivery
30.2001	UCert	18	Intelligence Analysis
11.1004	UCert	18	Internet Webmaster
11.1003	UCert	18	IT Infrastructure Security
11.1004	UCert	18	IT Project Management Essentials
43.0103	UCert	18	Law Enforcement Leadership
52.0907	UCert	18	Meeting & Event Planning
11.0802	UCert	18	Microsoft Access Database Applications
11.0602	UCert	18	Microsoft Office Applications
28.0602	UCert	18	Military Leadership Studies
11.0202	UCert	18	Mobile Computing
11.0802	UCert	18	Oracle Database

CIP Code	Program Level	Credit Hours	Programs Offered
22.0302	UCert	24	Paralegal Studies
03.0103	UCert	18	Public Lands Management
52.1501	UCert	18	Real Estate Management
03.0103	UCert	18	Regional and Community Planning
52.0905	UCert	18	Restaurant Operations
52.1803	UCert	18	Retail Management
43.0112	UCert	18	Security Management
15.0801	UCert	19	Space Studies
52.0201	UCert	18	Strategic Leadership
03.0103	UCert	18	Sustainability
52.0201	UCert	18	Technical Management
30.2001	UCert	18	Terrorism Studies
30.2001	UCert	24	United Nations
11.0202	UCert	18	Visual Basic Application Development
11.0801	UCert	18	Visual Communications
28.0605	UCert	18	Weapons of Mass Destruction Preparedness
11.1004	UCert	18	Web 2.0
11.0801	UCert	18	Web Publishing
Total Undergraduate Certificates		55	
Graduate Certificates			
52.0301	GCert	18	Accounting
54.0101	GCert	18	American History
54.0101	GCert	18	American Revolution
54.0101	GCert	18	Ancient & Classical History
31.0504	GCert	18	Athletic Administration
43.0112	GCert	18	Business Essentials for the Security Executive
54.0108	GCert	18	Civil War Studies
43.0302	GCert	18	Climate Change Awareness and Leadership
30.2001	GCert	18	Competitive Intelligence
30.2001	GCert	18	Counterintelligence
43.0103	GCert	18	Criminal Justice
11.1003	GCert	18	Cybercrime
11.1003	GCert	18	Digital Forensics
43.0302	GCert	18	Emergency & Disaster Management
43.0302	GCert	18	Emergency Management Executive Leadership
03.0103	GCert	18	Environmental Hazard Mitigation and Restoration
03.0103	GCert	18	Environmental Planning and Design
03.0103	GCert	18	Environmental Risk Assessment
03.0103	GCert	18	Environmental Sustainability
54.0101	GCert	18	European History
43.0103	GCert	18	Executive Law Enforcement Leadership
03.0103	GCert	18	Fish and Wildlife Management
03.0103	GCert	18	Global Environmental Management
43.0301	GCert	18	Homeland Security

CIP Code	Program Level	Credit Hours	Programs Offered
52.0201	GCert	18	Human Capital Leadership
11.1003	GCert	18	Information Assurance
11.1003	GCert	18	Information Systems Security
30.2001	GCert	18	Intelligence Analysis
30.2001	GCert	18	Intelligence Studies
11.1004	GCert	18	IT Project Management
54.0199	GCert	18	Joint Warfare
52.0203	GCert	18	Leadership and Logistics
52.0203	GCert	18	Logistics Management
30.2601	GCert	18	Middle Eastern Studies
03.0103	GCert	18	National Environmental Policy Act (NEPA)
30.2001	GCert	18	National Security Studies
52.0101	GCert	18	Nonprofit Management
11.0202	GCert	18	Object-Oriented Application Development
52.0201	GCert	18	Organizational Management
43.0112	GCert	18	Security Management
15.0801	GCert	18	Space Studies
31.0504	GCert	18	Sports Management
54.0199	GCert	18	Strategic Leadership
30.2001	GCert	18	Terrorism Studies
54.0108	GCert	18	World War II Studies
Total Graduate Certificates		45	

Total Degrees: 103

Total Certificates: 100

New Programs: Over the next five years, APUS expects to continue to develop new programs following its existing successful development process. The process for new program development will not change as a result of the shared services model and includes the following steps:

1. New program development ideas are suggested by faculty, the school Dean, the Provost, the President, and/or the APUS Board of Trustees.
2. A comprehensive needs analysis, which includes benchmarking against similar institutions with related programs, is conducted. Surveys are conducted with relevant stakeholders, including industry advisory councils, as appropriate. A survey of the marketplace is conducted to assess demand and enrollment potential. A return on investment analysis, which includes evaluation of the University's resources (e.g., faculty capabilities, library materials, technology and instructional design requirements), is completed by the appropriate Dean.
3. The curriculum is prepared, including program descriptions and objectives, and program objectives are mapped to University objectives. Courses are developed as the curriculum is approved by the relevant curriculum committee(s).
4. The program is submitted for approval by the APUS Board of Trustees.
5. The program is submitted to the HLC for approval.
6. Internal systems are addressed, including syllabi development, online classroom development, faculty selection, catalog changes, marketing, and training for admissions and advising staff, as needed.
7. A notice to the U.S. Department of Education is sent 90 days before the first course is offered.

8. The program is launched. Once launched, the program is placed into the triannual program review process.

Support Services: APUS provides extensive support services for students. These services include extracurricular activities and support in the form of career services, academic advising, a veteran's center, and alumni services.

1. The APUS vision includes the goal of having "communities of lifelong learners and practice in selected disciplines." To that end, APUS offers a variety of extracurricular student groups. One of the longest running student groups is the Masters of Disaster student organization formed by students in the Emergency and Disaster Management Programs. This group maintains a LinkedIn group as well as a weekly show on AMU Radio. During the weekly radio show, students and faculty interview leaders in the field of emergency management and discuss emergency responses. Masters of Disaster members have shared stories about assisting with emergency situations like the 2010 earthquake in Haiti and other disasters. This group, which has more than 2,500 members, has established lifelong relationships among students, alumni, faculty, and staff.
2. Career services personnel support the mission of APUS by providing students and alumni with resume review, career coaching, and interview preparation assistance, as well as virtual career fairs. Career services programs were used by 7,195 students and alumni in 2015.
3. Academic advising is provided by staff members who work in teams assigned to specific academic schools. This model allows for advisors who have a high degree of knowledge about specific academic programs, course offerings, career paths, and expectations that fall within schools. Advisors work with students on an individual basis as well as in groups. Advisors reach out to students multiple times throughout their programs to discuss academic progress, program completion, new program enrollment requests, or program change requests.
4. The APUS mission specifically includes an "emphasis on educating the nation's military and public service communities." To honor that commitment, APUS recently launched a Veteran's Center in Charles Town, West Virginia to provide students, alumni, and area veterans with access to resources, tools, and the opportunity to engage with other individuals with similar backgrounds and experiences.
5. Services are extended to alumni, as well as current students. Alumni are encouraged to stay active in student and professional groups, as well as to serve as University ambassadors who represent the University in a variety of situations.

The newest service offered to help students develop a sense of community is *ClearPath*, APUS's Learning Relationship Management platform. *ClearPath* serves to provide a location for access to organizations and information that have emerged across a variety of platforms. Students use *ClearPath* to access student organizations and service opportunities, explore topics like mentoring and interviewing, and meet up in virtual communities. *ClearPath* was introduced to all undergraduate and graduate students in 2015, and currently has thousands of students, faculty, and staff users.

APUS has plans to expand its student support offerings in 2017. For example, APUS plans to launch a Writing Center, a Faculty Advisor program, a peer mentoring program, and a portfolio platform that will serve as a way for students to summarize the skills gained through their courses for career planning and/or enhancement. Going forward, irrespective of whether the shared services model is adopted, APUS will continue to explore enhancements to support services.

Currently, the University has several staff and faculty committees that focus on student learning, faculty engagement, student support, and curriculum quality, among others. These committees will continue their work without interruption after implementation of the shared services model. Outlined below are many of these committees.

Committee	Charge
Core Learning Committee	Evaluate Core Learning requirements, determine placement test requirements and offerings for APUS, hold an annual Core Learning symposium, and ensure that APUS Core Learning requirements meet all accreditation standards. (Note: APUS uses the phrase “core learning” to mean all general education requirements).
Curriculum Committees	Review proposals for additions/deletions of courses, concentrations, and programs and evaluate and discuss the academic and professional merit of these proposed changes.
Curriculum Quality Committee	Develop standards and best practices for curriculum and instructional quality.
Faculty Advancement Committee	Review all nominations and makes recommendations for faculty advancement to the Provost.
Faculty Advisory and Consultancy Task Team	Engage faculty in dialogue to identify and discuss faculty-related topics aimed at student success and student retention.
Faculty Development Committee	Evaluate and guide new and future faculty development opportunities and offerings and advise the faculty development team on faculty development offerings and priorities.
Faculty Research Grants Committee	Award faculty research grants.
Gateways to Completion	Analyzing the learning experiences of students in the University’s top five high-enrollment, high DFWI (D grade, F grade, Withdrawal, Incomplete) courses in order to improve student success in these and other gateway courses and student persistence.
Graduate Advisory Council	Ensure graduate studies at APUS are of appropriate graduate-level rigor, substance, and evaluation and guide APUS in establishing a graduate school culture appropriate to a teaching institution.
HLC Academy for Student Persistence and Completion	Lead the University in its collaboration with 12-15 other participating institutions to identify and explore critical issues, effective approaches, and potential concerns impacting persistence and completion.
Institutional Review Board	Oversee all research involving human subjects.
Retention Committee	Incorporate the Foundations of Excellence, Gateways to Completion, and other strategic initiatives into the broader University retention strategy and develop and oversee the University’s overall plan for implementing policies and initiatives regarding student retention and persistence.
Teaching Excellence Committee	Encourage student success through teaching excellence.

APUS is considering adding the following academic programs in the next five years including (following the above described process; and pending APUS Board and HLC approval):

1. BA and MA in Supply Chain Management
2. MS in Nutrition (proposed to be offered in 2018)
3. MS in Coaching Leadership and Athlete Development (proposed to be offered in 2018)
4. M.Ed. in Adult and Online Education (proposed to be offered in 2018)
5. BS and MS in Health Care Administration (proposed to be offered in 2019)
6. M.Ed. in Counseling (proposed to be offered in 2019)
7. Ed.D in Adult and Online Education (proposed to be offered in 2020)

Additionally, six competency-based education (CBE) programs will be launched in 2017, including: Retail Management; Fire Science; Emergency Disaster Management; Information Technology; Information Systems Security; and Criminal Justice. Depending upon the reception and success of these programs, more programs may be proposed to be offered in the CBE format.

Lastly, APUS has a scheduled change visit request for February 27-28, 2017 to offer two doctoral programs (Strategic Intelligence and Global Security). Both of these programs have undergone a rigorous multi-year development and review process, with several years of strengthening a graduate culture in anticipation of inclusion of the doctoral programs. The review included all of the steps listed above for new program development along with two industry advisory council reviews, a thorough review of the adequacy of the library holdings (which included identification of gaps and budgeting to address these), the creation of a new teaching and related faculty workload model, and the mapping of the curriculum to institutional learning outcomes. Other doctoral programs will be considered and may be added based on the “new program” process described above. Additional student support services will also be added as determined by need.

C.3 Explain the current delivery mode(s) (on-ground, on-line, etc.) of the institution’s programs. Outline plans to change or expand any of the delivery modes and timeframe for such changes or expansion.

APUS is an online education institution of higher education. The University offers all of its programs and component courses online. In the remainder of this section, the University describes in detail certain current offerings and future plans for program offerings. The implementation of a shared services model, however, will not impact the delivery modality in which the University’s current or future programs are delivered, or the University’s future plans.

Within the online delivery mode, the APUS School of Business has partnered with Wal-Mart in the past three years to offer a three course series (BUSN250 Analytics I, BUSN350 Analytics II, and BUSN450 Applied Analytics) exclusively for Wal-Mart employees. Each course is offered once per year at Wal-Mart headquarters in Bentonville, Arkansas. An APUS faculty member leads a three hour face-to-face session with these students during weeks 3, 5, and 7, for a total of nine hours face-to-face instruction per three semester hour course. It is important to note that Dr. Powell discussed the course offerings with HLC. Given the low number of face-to-face hours, comprising less than 25% of the courses, Dr. Powell was asked to send an email to the HLC liaison at the time these courses were initiated, and has agreed to provide updates if additional sites or courses are added.

Going forward, APUS plans to explore more opportunities to include up to 25% of face-to-face instruction along with increasing the amount of synchronous instruction. While APUS strategically

remains an online asynchronous university in format and delivery, APUS is exploring ways to enhance student learning and success through providing additional resources and interactions through targeted synchronous online and face-to-face learning opportunities consistent with learning outcomes and accreditation requirements. For example, APUS has submitted two substantive change applications to HLC seeking to offer professional doctoral degrees in Strategic Intelligence and Global Security, both of which include residencies. Best practices for doctoral programs suggest that residencies are a critical component of successful online doctoral programs. While both programs will be delivered primarily online, each will also include three residency requirements. In year one and year three, students will have residency time at a conference facility. The residency will either occur on the APUS campus in West Virginia and in hotel accommodations nearby or at the National Conference Center in Leesburg, VA where APUS hosts Dean and director meetings annually. For the Doctoral degree in Strategic Intelligence, the year two residency requirement involves travel to and participation in a professional conference of the student's choice. Several discipline-specific conferences have been identified as appropriate, and students will select the conference appropriate for their research interests. The Doctoral degree in Global Security requirement involves travel to a foreign country to work on a problem related to global security issues; the Graduate Dean and Program Steering Committee will have oversight for the site selection and logistics.

As discussed in question #2, APUS is planning to offer six Bachelor programs—Retail Management, Emergency Disaster Management, Criminal Justice, Fire Science, Information System Security, and Information Technology—in the competency-based education (CBE) format. APUS currently offers traditional course-based Bachelor of Arts degrees in each of the six areas with the same four digit CIP code as the proposed competency-based direct assessment Bachelor degrees. The proposed CBE programs are not replacing the programs currently offered, but rather offer an opportunity for students with college equivalent experience and demonstrated competency to achieve their degree in an expedited and more cost effective manner. The total number of credits for the CBE programs is 61-62 semester credit hours. An Associates Degree is required for admission. General education courses are not offered in the CBE format. Using the established course learning objectives, the curriculum of the BA program has been deconstructed into competencies that are equivalent to one credit hour. These competencies were mapped to existing industry competencies to ensure that students demonstrate mastery of academic and job related competencies. Depending upon the need and success of the initial launch of these CBE programs, additional programs may be developed.

As the technology and market intelligence surrounding microcredentials evolves, an increasing number of employers and learners are demanding them to showcase and recognize employable skills. To maintain our position as an innovator in quality higher education, APUS will offer our prospective learners, current students, and alumni the opportunity to demonstrate discrete, marketable skills and knowledge through a fully integrated implementation of microcredentialing options.

- **The Center for Applied Learning (CAL)** will work with industry partners to produce industry recognized microcredentials that learners, primarily coming into the CAL as non-degree seeking, life-long learners, can earn through the CAL. In development of their program, CAL will evaluate awarding microcredentials through prior learning assessment, and where deemed appropriate, will develop the requisite assessments, rubrics, and review capabilities. The CAL will also develop credit evaluations for such options like badge stacks (groupings of multiple badges), offering non-degree learners the opportunity to receive alternative credit to springboard into degree programs at APUS.

- In **undergraduate studies**, learners will have two paths to a microcredential – either as a value-added opportunity alongside their degree program or as a stand-alone course sequence—using learning track framework. Both pathways bear academic credit and the opportunity to complete the comprehensive assessment required for receipt of the microcredential. Looking forward to 2018 and beyond, undergraduate studies would work with the CAL to match workplace skills microcredentials to existing curriculum to assist our learners in showcasing their skills in addition to the overarching microcredentials.
- In **graduate studies**, badges will be awarded to recognize mastery of professional competencies that complement the academic curricula such as professional speaking, building a funding proposal, preparing an academic journal submission, and more. This strategy will be implemented through professional practice coursework tied with the Applied Master’s degrees. Additional future opportunities for graduate studies would be to award badges for extracurricular professional development sessions and to build stackable microcredentials for sub-Master’s awards.

Lastly, APUS has a long history of assessing prior learning through the Prior Learning Assessment (PLA) course and process. Using Council for Adult & Experiential Learning (CAEL) standards, APUS has offered PLA since April 2010.

C.4 Provide the current student enrollment by department and modality (on-ground, on-line, iTV, etc.) at the institution. Outline plans in progress to support students through the transition and to assist students who may need or want to be transferred and taught-out if existing programs will be terminated or modified in the next twelve (12) months. Describe the anticipated student body subsequent to the transaction, the plans and targets for recruitment, and the basis on which these plans are deemed attainable.

The following chart provides the current student enrollment by school; all students are enrolled in online programs. The implementation of a shared services model will not require any students to be transferred or taught out; no existing programs will be terminated or modified as a result of the shared services model.

Enrollment by School (as of September 30, 2016)	
School	
Security and Global Studies	23,859
Arts and Humanities	21,053
Business	21,026
Science, Technology, Engineering, and Math	13,742
Health Sciences	8,557
Education	2,733
Grand Total	90,970

The University remains dedicated to developing resources to enhance student engagement and implementing activities focused on improving student persistence and completion. These efforts are ongoing in order to make services available and provide an academic environment that supports student learning and success. Curricular and co-curricular resources available to students will not be affected by the implementation of a shared services model because implementation of the shared services model does not affect the University’s focus and priorities.

APUS has a long history of providing support to students that is guided by the strategic plan's details on relevant activities and the necessary dedicated resources. Future plans to enhance these efforts will be consistent with the strategic plan and will not be affected by the implementation of a shared services model. The current strategic plan outlines specific activities aimed at ensuring a quality academic experience for students and improving student persistence. Specifically, the major activities outlined in the current strategic plan focus on enhancing curricular and co-curricular faculty and student engagement, and ensuring an engaging learning and classroom environment. Additionally, recruitment activities and initiatives to support students are consistent with the APUS mission and individual strategic plan actions are ongoing.

Support services are available to all students. APUS provides academic and financial advising, mentoring, service opportunities, academic advising, alumni and career services, tutoring, and library resources. In addition, a variety of online social communities and student clubs provide students with relevant and personalized opportunities for academic growth and personal enrichment. The *ClearPath* Learning Relationship Management platform was created to facilitate campus community and support. Students use *ClearPath* to access student organizations and service opportunities, explore topics like mentoring and interviewing, and meet up in virtual communities.

In the past, students who have been in degree programs that have been inactivated have not experienced any reduction in support services and activities and all courses have continued or have been substituted to meet the last student's need. Implementation of a shared services model will not result in terminating or modifying any academic programs. Rather, decisions to terminate or modify programs will continue to be made using the same process, where decisions are made strategically and based on careful study and discipline-related requirements. School Deans, Program Directors, and University leadership will continue to lead these efforts based on academic and industry input, with the APUS Board of Trustees approving any decision to suspend or terminate a program.

C.5 Identify the projected enrollment for each quarter or semester for the next five years by campus, additional location or distance modality or correspondence by department at each degree level.

Strategic Enrollment Growth is one of the three pillars of the University strategic plan. Related initiatives will continue and will be supported by University resources as planned, with a focus on stabilizing new student enrollments and admitting academically prepared students. Plans to supplement existing activities will be guided by the strategic plan and are not affected by implementation of the shared services model. For example, development of new programs will continue to be based on existing benchmarking procedures, existing program review schedules, and needs analyses.

Over the years, APUS has augmented its degree program offerings to meet the educational needs of its growing, diverse student body. Feedback and input from a number of stakeholders, market analyses, and survey data are reviewed annually to ensure APUS programs remain current and relevant, and mission consistent. APUS has continued to invest in programs and services that further the institution's mission. The University has launched new programs in fields where demand is growing and where skills carried over from the military or public sectors.

As of 9/30/16, the APUS student body consisted of 90,970 students. In keeping with the tenets of the APUS mission of serving those who serve, 75% percent of these students are affiliated with the military, as active duty, reserve, National Guard, veteran, and military spouse or dependent. The typical student

is male (61%), between the ages of 30 and 39 (39%), and white (56%). The University also serves students under age 24 (16%), and individuals over age 60 (1%). Individuals identifying as African-American origin make up 18% of APUS students; those of Hispanic origin 11%; and those identifying as Asian or from multiple races, 2% and 4%, respectively. Students enroll from all 50 states and multiple countries. With a large constituency of working adults as students, only 7 % of APUS undergraduates and 4% of graduate students are enrolled full-time. Undergraduates make up 83% of students, while the remaining 17% are studying at the graduate level.

Changes in projected enrollments are a function of broader trends within higher education – declining enrollments for working adults, the entry of traditional universities into the online market, and the emergence of alternative learning pathways. APUS is addressing these challenges by enhancing the breadth and quality of its academic offerings and services to students. These efforts will continue.

C.6 Provide the marketing plan for the institution for the next five years after the closing. How will the institution market to new or continuing students as well as to different populations of students?

APUS is in the process of repositioning the University from an “open access” institution to one that is focused on educating college-ready students who are seeking to advance their careers, with continued emphasis on serving the military and public service professionals. The University’s core marketing objective is to stabilize new student enrollment, cost-effectively admitting academically prepared students in alignment with the APUS mission. Thus, in parallel to initiatives to attract academically-prepared students, APUS is continuing its efforts to reduce enrollments from individuals who are not likely to persist beyond their initial course session either due to lack of academic ability or due to lack of intent to continue beyond the first Federal Student Aid disbursement period. Re-shaping the APUS student body to include greater numbers of students who are motivated and able to persist in college requires the University to align new student growth targets with goals that include higher course pass rates, retention, and stronger brand awareness and reputation as an affordable leader in higher education. These marketing plans will not be affected by the implementation of a shared-services model.

As more and more high-quality online programs are becoming available for prospective students, APUS will need to continue to improve its core offerings and marketing focus on educating those who serve. APUS’s initiatives to introduce new program offerings that align with workforce needs – Competency Based Education; Doctoral Programs; Professional Education (including micro-credentials) – along with launch of innovative learning methods and individualized support services that help lead to better learning outcomes will enable the University to better meet the diverse and evolving educational needs of APUS students and expand demand from new student populations.

Our marketing program for the next five years will align with the vision for educating career-motivated students, emphasizing persistence and the lifetime value of a student over new student growth, while lowering relative marketing expenditures and operating costs to ensure that programs remain affordable. To achieve these goals, APUS will invest in emerging, low-cost or organic marketing channels and continue optimization efforts to increase channel efficiency and effectiveness wherever possible.

Marketing Strategy

Our marketing strategy is highly relationship-driven. APUS relies on positive word of mouth from APUS community members and respected partners, as well as from a growing cadre of alumni who refer others to APUS and often return themselves for a second degree. A strong ambassador and referral

program, strategically targeted advertising, partner relationships, and academic industry recognition all help to stretch the University’s marketing dollars to drive awareness and greater demand among current and new audiences. Throughout the University’s marketing campaigns, APUS focuses on providing transparency in messages and reinforcement of the University’s consultative approach by connecting with motivated, academically-prepared learners when and in the manner they would like to connect with APUS representatives during their decision process. APUS then responds individually to their needs. Brand integrity, precision targeting, student-focus and an innovative spirit for testing new marketing ideas have defined the APUS approach for more than a decade, and these pillars will remain at the core of the University’s strategy going forward.

Current State of APUS and the Industry

Cost of attendance remains a top decision driver of institution selection for online students. Students often consider two to three institutions and typically do research on their own, then contact institutions in their consideration set and make a decision very quickly, typically within a few weeks. With more higher education providers, particularly traditional on-ground institutions, now offering online degree programs while student demand remains relatively stagnant, marketing costs to advertise and connect with students are on the rise. Given the growing options available and APUS’s limited marketing resources, the University must continue to attract new students based on reputation from current and former APUS students, and highly target awareness initiatives to ensure the University is reaching individuals most likely to enroll and succeed and by messaging the information they need to make an informed decision, including APUS points of differentiation that best resonate with these audiences.

Key Strategic Growth Goals & Objectives

Our new students come through a multi-channel approach, led by brand building initiatives, personal and professional referrals, and interactive marketing channels.

Core Marketing Objectives

1. Stabilize new student enrollments
 - a. Attract 30,000+ college-ready students who persist
2. Build AMU and APU brand awareness among key audiences
 - a. Build reputation as a thought leader by deepening leadership and recognition in key areas of excellence: flagship disciplines; analytics; online learning; and learning support
 - b. Build awareness of key points of differentiation: affordability; commitment to student outcomes; focus on military and public service communities
3. Maintain lower marketing costs (<\$2,000 cost-per-start and/or <20% of revenue) to ensure ability to offer affordable education

Strategic Marketing Initiatives

The key initiatives below will help APUS to achieve its marketing objectives.

STRATEGIC INITIATIVE 1: Continue to enhance key affinity group referral marketing channels
Goals of Initiative 1
1.1 Enhance position as leading provider of higher education to the U.S. Military 1.2 Build Veteran Student Enrollments

STRATEGIC INITIATIVE 1: Continue to enhance key affinity group referral marketing channels

Goals of Initiative 1

- 1.3 Center for Applied Learning: Build Public Safety Community Enrollments** (i.e., law enforcement, corrections, fire and emergency medical services (EMS), and emergency management organizations)
- 1.4 Center for Applied Learning: Build National Security and Cyber Community Enrollments**
- 1.5 Enroll More Students In Health Care Programs**
- 1.6 Enhance transfers from Community Colleges**
- 1.7 Augment Engagement with Students and Alumni to Enhance Referrals and Number of Those Returning for a Second Degree**
- 1.8 Develop Hispanic/Latino Outreach Strategy**

STRATEGIC INITIATIVE 2: Optimize Low Cost Marketing Channel Initiatives To Reach Academically-Prepared New Students

Goals of Initiative 2

- 2.1 Enhance digital marketing analytics**
- 2.2 Build-up lower cost acquisition channels to broaden reach and share of voice in market, in alignment with APUS cost model**
- 2.3 Deepen Knowledge of Target Audiences**
- 2.4 Launch Targeted Messaging Campaigns around University differentiators**
- 2.5 Improve Enrollment Process to Enhance Conversion of Leads to New Students**

STRATEGIC INITIATIVE 3: Selectively Add Industry Specific Programs in Alignment with APUS Mission To Educate Those Who Serve

Goals of Initiative 3

- 3.1 Launch Competency-based/Direct Assessment Programs in Alignment with APUS Mission, pending HLC Approval**
- 3.2 Expand STEM Programs**
- 3.3 Launch Applied Doctorates, pending HLC Approval**
- 3.4 Launch New Academic Offerings to Students Needs to Effectively Adapt to Changing Workforce Needs**

STRATEGIC INITIATIVE 4: Manage Cost of Attendance –Tuition, Fees, Books, Scholarships & Grants – to Ensure Affordable Education

Goals of Initiative 4

- 4.1 Implement differential pricing to cover costs required to effectively deliver key programs and to better position market value of programs (e.g., MBA)**
- 4.2 Offer Grants/Scholarships to Attract and Retain Academically-Prepared Students**

C.7 Provide the business plan for the next five years after the closing. How will the institution assure it can meet its debt or other financial obligations? What improvements or expansions to technology or infrastructure will be necessary to sustain financial operations, support current or planned enrollment increases, new educational programming, etc., and what will be the source of the funds? If the institution intends to use funds provided by an investor(s), what is the evidence of the investors' commitment to continue to provide funds over time to sustain operations and expansion?

As a result of the implementation of the shared services model, there are no anticipated changes to the APUS business plan. With that said, planning up to five years has proven to be difficult given the rapid changes in higher education and online learning. The leadership of APUS and APEI plan to engage in long-range strategic planning efforts in 2017-2018.

APUS and APEI will have the financial resources to both support ongoing operations and invest in the faculty, staff, and technologies central to fulfill the APUS mission. As of September 30, 2016, APUS had \$40 million in cash and cash equivalents, total assets of \$156 million, and no long-term debt. Meanwhile, as of September 30, 2016, APEI had \$94 million in cash and cash equivalents, total assets of \$153 million, and no long-term debt.

As of 9/30/2016, APUS enrolled 90,970 students and derives all of its revenues from student tuition and fees. According to the [United States Department of Education College Affordability and Transparency Center](#), the cost of an APUS education is among the lowest in the higher education industry. APUS remains committed to affordability.

APUS expects to continue to fund costs and expenses through cash generated from operations. Based on current level of operations, APUS believes that the University's cash flow from operations and existing cash and cash equivalents will provide adequate funds for ongoing operations and planned capital expenditures for the foreseeable future.

APUS and APEI are focused on the quality of an APUS education and in investing to enhance the educational experience for its students. The changes anticipated for the University will be made with a keen eye to keeping APUS on the technological cutting edge. To assist in prioritizing and planning efforts related to technology a separate strategic plan is created every year. Its primary purpose is to assure alignment of IT projects with APUS priorities. Recent investments by APUS and APEI in predictive analytics, mobile classroom technologies, an educational gaming software company, and a learning relationship management system are representative of the types of investments that are anticipated in the future. These will be enhanced by continued investments to hire, train, and retain qualified faculty and staff.

C.8 Describe immediate and long-range strategic planning for the institution and at the parent or corporate level as contemplated by the transaction and how it will affect the institution.

As a result of the shared services model, there are no anticipated changes to the fact that APUS conducts an annual strategic planning process that has served APUS well for over a decade. That process, informed by the APUS mission, vision, and core values, is founded on three pillars that encompass the work of the institution for the service of its stakeholders: Academic Excellence; Strategic Enrollment Growth; and, Organizational Effectiveness.

As with prior and projected future plans, the current strategic plan includes initiatives with completion targets for a three-year period. It is anticipated that APUS will engage in more long-range planning techniques such as scenario planning. Also, the initiatives in the current strategic plan, especially those around retention and outcomes, student engagement, and program enhancements, will likely be built upon in future plans. Moving forward, planning will be prepared in alignment with departmental plans from across the University and will include, and likely expand, the range and level of participation of key stakeholders, including faculty, staff, students, alumni, industry advisory councils, military personnel, industry partners, and community leaders.

Future planning processes will continue to be directed by the University management and APUS Board of Trustees in coordination with APEI management and the APEI Board of Directors. The APUS Board of Trustees and APEI Board of Directors meet together once a year to discuss planning initiatives and ensure that there is coordination of objectives and are updated quarterly on key planning and budget metrics. Strategic plans, and any changes to the University mission and vision statements, are voted on at the final APUS Board of Trustees meeting of the calendar year, along with the APUS budget, which is developed in parallel to the planning process. APEI will continue to rely on the APUS strategic planning process for development of the University strategic plan and will take into account the needs as articulated by that strategic plan in its own activities.

C.9 Explain the governance and management structure at the institution and at the parent or corporate level as contemplated by the transaction and how it will affect the institution.

Implementation of the shared services model will not change the locus of “control” of APUS in terms of governance. The APUS Board of Trustees will continue to be in control of academic and operational matters at APUS, and the APUS Board of Trustees will continue to function according to its bylaws. See [Exhibit \[P\]](#) for information about the members of the APUS Board of Trustees.

The President of APUS will continue to be responsible for the day-to-day management, administration, and operation of APUS, including oversight of services delivered by APEI under the shared services model. The shared services that would be provided under the shared services model relate to business functions, including the following seven areas: human resources; marketing; legal services; finance; facilities services; information technology; and institutional research/analytics. The services are business services that higher education institutions often contract with a third party to provide in order to achieve financial efficiencies and to access experience and expertise.

None of the shared services will involve academic matters, which will continue to be exclusively within the domain of APUS. APUS will maintain direct control over all academic and other operational functions that are necessary attributes of an institution of higher education duly authorized by the West Virginia Higher Education Policy Commission, accredited by HLC, approved by the U.S. Department of Education for federal student financial aid purposes, and all other regulatory agencies responsible for granting authorization, accreditation, or approval to APUS. Accordingly, implementation of the shared services model is not a transfer of academic control of APUS to a third-party entity.

With regard to implementation of the shared services model, each of APUS and APEI has appointed senior executives to serve on a Shared Services Committee that will be responsible for oversight of the administration of the overall shared services model. For day-to-day operational matters, each party will also appoint a service management lead and an operational lead for each Service Schedule adopted under the Services Agreement. The service management leads, subject to the oversight of the Shared

Services Committee, are charged with oversight of the provision of the Services under the applicable Service Schedule, including tracking performance, and providing guidance to resolve operational issues. The service management leads will appoint operational leads, who are responsible for the general planning and execution and delivery of, or receipt of, as applicable, Services in accordance with the applicable Service Schedules.

With a committee structure and the designation of service and operational leads, the shared services model is intended to ensure that APUS has appropriate oversight and insight into the delivery of the shared services, as well as a structure for the parties to work collaboratively. The structure is also intended to make sure that the shared services model appropriately reflects what is necessary for APUS to continue to serve its mission. For example, the Services Agreement expressly contemplates the ability of the service management leads to make change requests to the Shared Services Committee. And, without limiting the ability to make changes as necessary, the Services Agreement expressly provides for the parties to meet in the second calendar quarter of 2018, and every third anniversary thereof, to consider the overall allocation of shared services and resources, including evaluation of whether particular business functions should be adjusted as between the parties.

C.10 Explain the knowledge of and experience in higher education, or with accreditation, of any of the buyers, investors or other key parties in the transaction. Include key administrators in place or being hired.

The members of the APUS Board of Trustees have significant knowledge of and experience in higher education; see Exhibit [O]. Neither the membership nor structure of the APUS Board of Trustees will change as a result of implementation of the shared services model.

The APUS Board of Trustees appointed Dr. Karan Powell as President of APUS effective July 1, 2016. Dr. Powell previously served as Executive Vice President and Provost of APUS. Dr. Powell succeeded Dr. Wallace E. Boston, Jr., who continues to serve as CEO of APEI, providing strategic and leadership support to APUS, Hondros College of Nursing, and APEI's other ventures. As a result, the two most senior executives at APEI and APUS have a combined 25 years plus of experience leading APUS.

In general, the same key administrators who have been responsible for managing the various functions when they were managed within APUS will be responsible for those functions once they are provided by APEI. Biographical information about the APUS and APEI administrative team is attached as Exhibits [R] and [S], respectively.

C.11 Describe the current faculty including the number of faculty members in each department, a summary of their qualifications, the nature of their employment relationship (tenured, union, etc.) at the institution, and plans in progress to terminate, retain, or supplement those faculty members after the completion of the transaction. Provide numbers of full- and part-time faculty before the transaction and numbers anticipated within one year of the transaction. Provide drafts of all employment agreements or employment documents anticipated for update at or subsequent to closing as well as evidence that faculty have seen the draft documents and provided an acceptance or rejection of an offer of employment.

The APUS faculty is made up of full- and part-time faculty, Faculty Directors, and Program Directors. Full-time faculty members and directors are considered full-time employees of APUS and are expected to consider APUS their primary employer. Part-time faculty members are part-time employees of APUS and operate under the terms of their offer letters and course Task Orders. With the exception of Dr. Powell and Mr. Sunderland, the Chief Financial Officer, no APUS employees are party to employment

agreements—rather, each employee is provided an employment offer letter consistent with APUS practice. This practice is not anticipated to change in connection with the implementation of the shared services approach. Examples of standard employment offer letters for full-time and part-time faculty members are attached as **Exhibit [T] and [U]**, respectively. In connection with the anticipated implementation of the shared services model, Mr. Sunderland’s employment agreement is expected to be amended so that APUS is not a party to the employment agreement.

Additionally, APUS employs two full-time and three part-time International Academic Consultants (IAC). These IAC’s are engaged on a contract basis annually, and implementation of the shared services model will not change that process. A complete list of faculty by school and type is provided in the chart below. This information is accurate as of October 5, 2016.

The implementation of the shared services model at APUS will not affect personnel decisions related to faculty retention, termination, or hiring. Personnel decisions will continue to be made by APUS and will be based upon a range of considerations, including, student registrations and individual faculty member circumstances or performance. Faculty hiring needs are projected in the previous year during the annual strategic planning cycle and are coordinated with the Provost, School Deans, Program and Faculty Directors, the scheduling team, and the faculty HR team. Faculty members are hired through a formal employment search with open positions posted both internally as well as externally, using providers like the Chronicle of Higher Education, HigherEd Jobs, and various diversity sites. Utilization plans are developed for each new hire that includes proposed courses and faculty credentials and are justified based on current need.

Faculty requisite credentials are outlined in position descriptions and the faculty handbook. APUS policy for ensuring faculty are qualified to teach at the undergraduate and graduate levels follow the guidelines outlined in the recent HLC publication “Determining Qualified Faculty Through HLC’s Criteria for Accreditation and Assumed Practices: Guidelines for Institutions and Peer Reviewers” (published March 2016), which require:

- Faculty members teaching in undergraduate programs hold a degree at least one level above that of the program in which they are teaching. Those teaching general education courses, or other courses that transfer, typically hold a master’s degree or higher in the discipline or subfield. If a faculty member holds a master’s degree or higher in a discipline or subfield other than that in which he or she is teaching, that faculty member should have completed a minimum of 18 graduate credit hours in the discipline or subfield in which they teach.
- Faculty teaching in graduate programs hold the terminal degree designated by the discipline and have a record of research and scholarship appropriate for the graduate program.

Program Directors are responsible for ensuring faculty possess the required qualifications per the HLC policy. Program Directors complete a program qualification document that provides an overview of the education or credentials their faculty might possess outside the discipline that qualifies them to teach a course or set of courses. When faculty do not have a degree in the discipline or disciplines outlined in the Program Qualifications document, a waiver or credential evaluation form is completed and must have the final approval of the Provost after review and approval by the Program Director, Faculty Director, school Dean, faculty HR, and Dean of Graduate Studies, Research, and Innovation, if applicable.

The following chart provides information about APUS faculty as of October 5, 2016.

School	Faculty Type	# of Faculty	Highest Degree	
			Doctorate	Master's
Arts and Humanities	Program Director	6	6	
	Faculty Director	4	3	1
	Full-time	156	64	92
	Part-time	473	240	233
Business	Program Director	11	9	2
	Faculty Director	2	2	
	Full-time	62	34	28
	Part-time	300	204	96
Education	Program Director	3	2	1
	Faculty Director	1	1	
	Full-time	7	3	4
	Part-time	115	77	38
Health Sciences	Program Director	4	3	1
	Faculty Director	1	1	
	Full-time	16	13	3
	Part-time	108	68	40
	International Academic Consultant - Part Time	1		1
Science, Technology, Engineering, and Math	Program Director	7	4	3
	Faculty Director	2	2	
	Full-time	48	22	26
	Part-time	381	201	180
Security and Global Studies	Program Director	7	7	
	Faculty Director	3	1	2
	Full-time	61	41	20
	International Academic Consultant – Full Time	2	1	1
	Part-time	317	177	140
	International Academic Consultant - Part Time	2		2

C.12 Explain the institution's current efforts to assess student learning and what efforts will be undertaken subsequent to the transaction to ensure continuity or improvement of these efforts.

Current efforts

Currently, APUS systematically assesses student learning and demonstrates a commitment to maintaining, revising, and improving its processes. The APUS assessment process is deeply rooted in the University's triennial program review process. The objectives of the program review are to: 1) validate currency and relevancy of programs; 2) evaluate student learning; 3) seek input from the APUS community; and 4) provide strategic direction for the continuous improvement of programs. As a key process that has evolved since its inception, the program review process has strengthened the academic quality of courses and programs with increased accountability among faculty and Program Directors.

Many measures are gathered for program reviews, but flexibility is provided to allow programs to meet assessment requirements as they arise (e.g., for specialty accreditation) and to allow faculty/staff to conduct useful assessment projects. The program review process generates a great deal of data on students' achievement of learning outcomes for each of the academic programs to be used in all assessment efforts. Both direct and indirect measures used during program reviews and specialty accreditation efforts can include:

- The Educational Testing Service (ETS) Major Field Tests is used by some program faculty to compare their programs to comparison institutions and programs. Students graduating from the following programs use this information:
 - Bachelor's in Criminal Justice
 - Bachelor's in English
 - Bachelor's in Sociology
 - Bachelor's in Psychology
 - Bachelor's in Political Science
- Peregrine summative exams are a nationally normed exam used for program comparison. The following programs employ Peregrine exams:
 - Bachelor's in Accounting
 - Bachelor's in Business Administration
 - Master's in Accounting
 - Master's in Business Administration
- The Educational Testing Service Proficiency Profile (EPP) is a direct measure of learning for graduating students across all undergraduate programs. The EPP is used to evaluate the success of the general education program at APUS. The EPP measures general knowledge in four core skill areas — critical thinking, reading, writing and mathematics. In addition, context area sub-scores provide more detail in humanities, social sciences, and natural sciences.
- Data from embedded course-level rubrics which align to both program objectives and institutional learning outcomes is used to assess students' progress toward achievement of learning goals. This data comes from signature assignments and is used to make course and program revisions. Examples in the use of data includes:
 - The Environmental Science program during their 2016 program review, analyzed data on student mastery of institutional learning outcomes (ILOs). The Program Director and faculty discovered that there were gaps in developing a student's digital literacy skills. This ILO is first introduced in 100 level courses and not practiced again until 300 level courses. The Program Director set into motion changes within the program to address identified knowledge gaps for better coverage throughout the degree path.
 - By tracking signature assignments during their 2013 program review, the Paralegal Studies program found inconsistencies and poor association in the alignment of course level objectives, program objectives and ILOs. The recommendation was to revise the course objectives program wide with a follow-up analysis of data occurring during the 2016 program review.
- An array of surveys as indirect measures are also used:
 - Enrollment survey is sent to new students in Week 2 of their first course and inquiries about admissions, registration, and acquiring course materials.
 - First Impressions survey is sent to new students in Week 4 of their first course and inquiries about classroom support, campus resources, and a general overview of how things are going in the campus and classroom.
 - Transfer credit evaluation survey is sent the month after the student received the results of their transfer credit evaluation.

- One-year and three-year alumni surveys are sent to alumni after conferral.
- Employer surveys sent to employers of alumni to gain insight into overall APUS education.
- The National Survey of Student Engagement (NSSE), administered approximately every four years to first-year and senior students, provides data on the educational experiences of undergraduates, particularly classroom activities and faculty and peer practices found to produce high-quality undergraduate student outcomes. Recent special ‘modules’ added to the basic NSSE questions provided information about academic advising and information literacy.

Measures to assess the whole student experience also include the co-curricular aspects of APUS. The Student Affairs department has increasingly contributed assessment data on co-curricular student experiences. Some examples include:

- A survey, called the Chapter Leader survey, administered to look at program effectiveness and outcomes of student organizations throughout the University.
- The Chapter Standards Program designed to help set expectations for student organizations in the areas of member engagement, leadership, professional development, community service, and academic excellence.
 - Chapters work to achieve a certain standing annually through events, activities, projects, and initiatives that align with the organization’s mission.
- The Career Journey, with an established, measureable set of learning outcomes, prepares students for their professional journey with a series of preparatory instruction.
- Academic Advising outcomes are measured on an annual basis and include:
 - Students will develop academic goals and understand the path to and steps needed to accomplish them;
 - Students will utilize University resources to support academic goals and learning;
 - Students will understand the components of the academic program and recommended course progression; and
 - Students will value and understand the role of the academic advisor and reach out/respond to advising efforts to assist.

The co-curricular elements of the University have been careful to incorporate the institutional learning outcomes as well as keep focused with the APUS mission.

Undergraduate and graduate programs establish a plan for improvements at the conclusion of their triennial program review. Programs are strongly encouraged to include both direct and indirect data in their plans. The Assessment Department works with programs to update curricular maps to specify where in the curriculum each program objective and institutional learning outcome is addressed. More recently, intensive curriculum mapping is occurring from the course level back to the program objectives in collaboration with the Academic and Instructional Technology Team.

Since its last re-accreditation by HLC in 2011, APUS reevaluated its institutional learning outcomes in light of work by the Lumina Foundation and adopted the Lumina Foundation’s Degree Qualifications Profile (DQP) framework, along with digital literacy, as the institutional learning outcomes (ILO) in 2013. This type of self-reflective effort is fortified by the assessment processes at APUS.

Efforts after implementation of the shared services model

Our current student learning and assessment processes will continue after adoption of the shared

services model. The current assessment department is housed under academics at APUS and the implementation of the shared services model will not impact the assessment department's structure or function.

C.13 Explain how the institution will continue to meet each of the Eligibility Requirements (need to include Assumed Practices) and each of the Criteria for Accreditation, including each Core Component, subsequent to the completion of the transaction. (If the transaction intends to consolidate another institutional entity into the structure of an institution affiliated with the Commission, the narrative must establish that the accredited institution will have sufficient academic and corporate control of the other component as outlined in the Commission's Eligibility Requirements.)

As a preliminary matter, implementation of a shared services model will not consolidate any other institutional entity into the structure of APUS. Academic matters of APUS will continue to be exclusively within the domain of APUS, under the control of the APUS Board of Trustees.

APUS has carefully engaged with and thoughtfully discussed all Eligibility Requirements, including Assumed Practices, and the requirements of all five Criteria and their Core Components and believes that the institution continues to meet these requirements. The shared services model does not require modification of the institution's Statement of Affiliation Status. APUS believes that at present it meets, and subsequent to implementation of the shared services model will continue to meet, each of the Assumed Practices, Criteria and Core Components.

Assumed Practices

APUS adheres to the Assumed Practices as specified by the HLC, and will continue to do so under the changes presented in this document.

A. Integrity: Ethical and Responsible Conduct

APUS holds integrity as one of its core values, and conducts its operations in an ethical manner. The University also embraces accountability as a core value, and holds itself accountable to its constituencies and the public for fulfilling its mission in an appropriate manner. The APUS Board of Trustees adheres to a Code of Conduct, focusing on ethical corporate conduct. Board members sign an annual recertification of their adherence to the Code. Policy manuals that uphold integrity and ethical conduct include faculty, staff, and employee handbooks.

The American Public University System has a documented process in place for addressing student complaints, as well as systematically processing the complaints. The Academic Appeals department processes and analyzes student complaints and appeal requests. The Student Grievance Procedure can be found in the Student Handbook.

Through its public website, APUS makes available information and resources essential for prospective and enrolled students to understand and learn about its programs, requirements, faculty and staff, costs to students, control, and accreditation relationships.

APUS's Code of Business Conduct and Ethics sets forth standards of conduct for all directors, officers and employees of American Public Education, Inc., and its subsidiaries. The Code covers a wide range of business practices and procedures such as honest and ethical conduct, including the ethical handling of actual or apparent conflicts of interest between personal and professional relationships.

B. Teaching and Learning: Resources and Support

APUS's academic programs align with commonly accepted minimum program length for all program levels. General Education courses are identified for all undergraduate programs and students are required to take the appropriate courses for the programs in which they are registered. All graduate programs require students to take 100% of classes at the graduate level. APUS has instituted a systematic method for assessing transfer credit, to ensure that credits transferred in have been earned according to specific standards.

The minimum credentials for faculty are outlined in position descriptions and the faculty handbook. APUS policy for ensuring that faculty are qualified to teach at the undergraduate and graduate levels follow the guidelines as outlined in the recent HLC publication "Determining Qualified Faculty Through HLC's Criteria for Accreditation and Assumed Practices: Guidelines for Institutions and Peer Reviewers" (published March 2016).

C. Teaching and Learning: Evaluation and Improvement

The assessment of student learning outcomes is an ongoing process which involves all members of the APUS community through direct and indirect measures of assessment at the course, program, and institutional levels. APUS conducts institution-wide, triennial program reviews of academic program families (i.e., Associates, Bachelor's, and Master's degrees in the same discipline) which bring together key stakeholders of the institution. The objectives of the program review are to: 1) validate currency and relevancy of programs; 2) evaluate student learning; 3) seek input from the APUS community; and 4) provide strategic direction for the continuous improvement of programs. Recently, curriculum mapping was performed, from the course level back to the program objectives as defined by the Degree Qualifications Profile (Lumina Foundation), to assure the relevance of the curriculum. Continuous assessment processes enable identification of what students are learning and to improve the student learning environment through courses and academic program improvement. APUS pursues and has achieved specialized accreditation for its Business and Nursing programs, and is in the process of achieving special accreditation for several other programs.

D. Resources, Planning, and Institutional Effectiveness

The University's strategic planning process and budget development is informed by the APUS mission, vision, and core values. Initiatives within the strategic plan are developed with a focus on three pillars that encompass the work of the University for the service of its stakeholders: Academic Excellence; Strategic Enrollment Growth; and, Organizational Effectiveness.

APUS employs an iterative budget process which uses data from many parts of the University. The annual process begins with an environmental scan presentation. To prepare the strategic plan, the University engages in an institution-wide integration of the environmental assessment with the goals of the mission, in alignment with the realities of the budget. Input from individual department and academic programs is reviewed and analyzed, resulting in a formal strategic plan presented to the Board of Trustees for review and adoption. Following a final review by Finance, the budget is presented to the Board of Trustees. Additional adjustments or edits may be needed before final approval is granted by the Board.

The administrative structure of APUS includes a President, Chief Financial Officer, Provost, Chief Operations Officer, and Chief of Staff with appropriate credentials and experience.

Criteria and Core Components

It is important to note that these examples below are examples of how Criteria and Core Components have been met. APUS is actively preparing the assurance argument for an upcoming comprehensive evaluation where all-inclusive evidence will be provided. While the statements below are examples, we will be glad to provide further evidence as our assurance argument becomes available.

Criteria 1 - Mission

The institution's mission is clear and articulated publicly; it guides the institution's operations.

1.A - Core Component 1.A

The institution's mission is broadly understood within the institution and guides its operations.

APUS's mission is to provide high quality higher education with emphasis on educating the nation's military and public service communities by offering respected, relevant, accessible and affordable, student-focused online programs, which prepare them for service and leadership in a diverse, global society. The APUS leadership team and Board of Trustees annually review the mission statement as part of the strategic planning process. The mission statement has been changed in only minor ways since 2009, due to the high degree of consensus about the current mission.

APUS operations are guided by an institution-wide strategic plan developed on three pillars that are aligned with the mission. Strategic imperatives, detailed initiatives, and metrics are outlined in the strategic plan under these pillars and enable APUS to fulfill its mission:

1. Academic Excellence
2. Strategic Enrollment Growth
3. Organizational Effectiveness

1.B - Core Component 1.B

The mission is articulated publicly.

APUS's mission, vision, and core values are available on its public website. Students can view the mission in the graduate and undergraduate course catalogs. The mission is articulated and discussed in new employee orientation and new faculty training. Additionally, framed statements of the APUS mission are prominently displayed in most physical facilities. The mission is also displayed on the faculty portal Faculty Connect, and the APUS Intranet. Beginning in 2017, and as a result of feedback from stakeholders, the mission will be embedded in syllabi for all courses in programs.

1.C - Core Component 1.C

The institution understands the relationship between its mission and the diversity of society.

APUS has two core values that address the diversity of society:

- *Diversity*: The University System embraces and promotes diversity in its policies and practices to prepare its learners to live and work successfully in an increasingly diverse society. It strives to create diverse learning environments by welcoming teachers, learners, and staff that bring diverse ideas, values, backgrounds, and beliefs to the learning and work environment.
- *Access to Underserved*: The University System seeks to broaden access to its higher education

programs by underserved communities who wish to engage the organization in their learning goals.

1.D - Core Component 1.D

The institution's mission demonstrates commitment to the public good.

The mission of APUS identifies the nation's military and public service communities as the primary public served by the institution. The APUS core value of *Collaboration* states that the University System "seeks and nurtures partnerships with its constituents and the communities it serves in creating effective learning environments for its learners." Examples of these commitments include an APUS Veteran's Center, scholarships to local high schools, community revitalization efforts, sustainability initiatives, offering of free services to public safety professionals, and the hosting of conferences/meetings on campus to address such issues as the fight against human trafficking. The wide array of courses and programs, public service opportunities, community growth efforts, and thought leadership for academic colleagues, also demonstrates APUS's commitment to the public good.

The University engages with external constituencies through the APUS Board of Trustees, Industry Advisory Councils (IACs), President's Council, alumni network, external advisory boards, local community and government officials, corporations, organizations, public service organizations, and associations.

APUS makes significant financial contributions to local, national, and global charities; to a wide range of community service organizations; and to organizations that support the military. Overall, since 2007, APUS has donated more than \$2.9 million to charitable organizations.

Criteria 2 - Integrity: Ethical and Responsible Conduct

The institution acts with integrity; its conduct is ethical and responsible.

2. A - Core Component 2.A

The institution operates with integrity in its financial, academic, personnel, and auxiliary functions; it establishes and follows policies and processes for fair and ethical behavior on the part of its governing board, administration, faculty, and staff.

APUS holds **integrity** as one of its core values:

- The University System conducts its operations and makes its public representations in an ethical manner. It assesses its operations in an open and collaborative manner and practices fairness, honesty, and objectivity in dealing with its constituencies.

The University also addresses **accountability** as a core value:

- The University System is accountable to its constituencies and the public for fulfilling its mission in an appropriate manner by openly assessing its operations and by inviting external evaluations by public agencies.

These two core values form the foundation of the University and corporate policies on integrity and ethical conduct. The APUS Board of Trustees adheres to a Code of Conduct, focusing on ethical corporate conduct. Policy manuals that uphold integrity and ethical conduct include faculty, staff, and employee handbooks.

APUS adheres to the requirements of Sarbanes Oxley and complies with processes for maintaining effective internal control over financial reporting, and the preparation of published financial statements in accordance with the established guidelines.

APUS has been a member of the National Association of Student Financial Aid Administrators since 2008, and has adopted their Statement of Ethical Principles and Code of Conduct as the governing policies and procedures at APUS.

2.B - Core Component 2.B

The institution presents itself clearly and completely to its students and to the public with regard to its programs, requirements, faculty and staff, costs to students, control, and accreditation relationships.

Through its public website, APUS makes available information and resources essential for prospective and enrolled students to understand learn about its programs, requirements, faculty and staff, costs to students, control, and accreditation relationships.

- [Accreditation](#)
 - Specialized accreditation
 - Affiliations
- [Cost of attending](#)
- [Financial consumer information](#)
- [Academic programs and course materials](#)
- [Program completion rates](#)
- [Gainful employment](#)

Prospective students and their families can access and use the [Net Price Calculator](#) to get an estimate of costs and types of available financial aid. Definitions and specific arrangements made under [Cooperative, Articulation and Transfer Agreements](#) are outlined for prospective and enrolled students on the public web.

2.C - Core Component 2.C

The governing board of the institution is sufficiently autonomous to make decisions in the best interest of the institution and to assure its integrity.

The APUS Board of Trustees meets quarterly with four standing committees: (1) Executive Committee; (2) Academic Affairs Committee; (3) Student Affairs Committee; and (4) Objectives and Purposes Committee. The bylaws outline its powers and duties *vis-à-vis* the University. Specifically, the bylaws entrust to the APUS Board of Trustees the following:

- 3.1.1. Establish, review and amend, as necessary, basic policies that set the mission and govern the operations of the University;
- 3.1.2. Establish, review and amend a strategic plan for the University;
- 3.1.3. Approve new academic programs and the discontinuance of existing academic programs.

While the APUS Board of Trustees meets yearly with the APEI Board of Directors on the annual budget, the Board of Trustees primarily conducts separate meetings without the APEI Board of Directors.

APUS will continue to focus on its existing strategic plan as adopted by the APUS Board of Trustees. Future strategic planning will continue to be directed by University management and the APUS Board of Trustees.

2.D - Core Component 2.D

The institution is committed to freedom of expression and the pursuit of truth in teaching and learning.

One of the Core Values underpinning the APUS mission is Freedom of Inquiry and Expression:

The University supports the rights of its constituents to freely inquire and express their opinions. It engages and encourages an open exchange of ideas and seeks input from all who wish to participate in its learning programs.

The APUS policy on academic freedom is located in the Faculty Handbook, and states:

Academic freedom is defined as full freedom in teaching and research to seek and profess knowledge and opinion within the scope of studies being undertaken. It is an essential prerequisite to the search for knowledge and truth. It is generally considered to be limited by the exercising of professional judgment upon the relevance of subject matters to the learning taking place, by the responsibility of faculty to avoid pejorative controversy unrelated to their disciplines, and by consensual loyalty of faculty to their institutions.

2.E - Core Component 2.E

The institution's policies and procedures call for responsible acquisition, discovery and application of knowledge by its faculty, students and staff.

The policies and procedures employed by APUS to govern research and scholarly practice are anchored by an active Institutional Review Board (IRB) which oversees all proposed research projects involving human subjects. Prior to proposing or engaging in research, all faculty, staff, or student researchers must successfully complete Human Subjects Training from the Collaborative Institutional Training Institute (CITI).

Expectations for faculty regarding intellectual property and copyright are defined in the Faculty Handbook, and the Student Handbook articulates expectations for academic integrity.

All undergraduate students are required to take COLL100 Foundations of Online Learning, which addresses the responsible use of information. The APUS Library provides an Academic Integrity Tutorial which addresses the importance of citations, how to recognize and avoid plagiarism, and teaches about honesty in research. The library also houses style guides for each of the prominent citation styles to assist students and faculty in proper attribution of scholarly sources.

Special guidance for graduate students is available at the Graduate Studies Resource Center of the online library. This center houses research presentations, schedules of live webinars, information on the APUS IRB, and links to the US Office of Research Integrity and the Project for Scholarly Integrity.

APUS expects its faculty members to actively contribute to scholarship and their professions. Such contributions may take many forms: research, artistic works, professional presentations, consulting,

curriculum development, publication, and other activities.

Criteria 3 - Teaching and Learning: Quality, Resources, and Support

The institution provides high quality education, wherever and however its offerings are delivered.

3.A - Core Component 3.A

The institution's degree programs are appropriate to higher education.

APUS assures that courses and programs are current and appropriate to the degree or certificate awarded through the use of benchmarking and market analyses and through feedback from external reviewers, students, alumni, Industry Advisory Councils (IACs) and employers. Triannual program reviews evaluate programs based on currency and levels of performance by students. External surveys such as the National Survey of Student Engagement (NSSE) and standardized tests such as the Educational Testing Service Proficiency Profile (EPP) and Major Field Tests (MFT) are also used to determine potential improvement areas. Programs which have received specialty accreditation are designed to meet that professional association's standards for currency and relevancy, both during the initial application, and at reaccreditation cycles. Industry advisory councils provide guidance on the curriculum and strategic direction of the program to ensure continued student learning and success.

3.B - Core Component 3.B

The institution demonstrates that the exercise of intellectual inquiry and the acquisition, application, and integration of broad learning and skills are integral to its educational programs.

All APUS undergraduate degree programs include foundational skills and knowledge in general education course work that spans the humanities, English, History, social sciences, math, and science disciplines. In support of the University mission to prepare students for service and leadership in a diverse, global society, the general education curricula permits students to select courses based on their interest in historical, diverse, or contemporary perspectives traditionally encountered in general education.

The general education program has been aligned with Lumina Foundation's Degree Qualifications Profile (DQP) framework through curricular mapping. The University outcomes include specialized knowledge, broad and integrative knowledge, intellectual skill, applied learning, civic learning, and digital information literacy. The adoption of the DQP as the University Institutional Learning outcomes and subsequent mapping of course, program, and institutional objectives assures the APUS community that acquisition, application, and integration of broad learning and skills are included all programs.

3.C - Core Component 3.C

The institution has the faculty and staff needed for effective, high-quality programs and student services.

APUS retains a credentialed faculty of distinguished experts and scholars who serve as faculty practitioners. As of November 2016, APUS employs 401 full-time faculty members at the ranks of professor (43), associate professor (156), assistant professor (56), and instructor (146). APUS recruits faculty with the appropriate academic credentials, who can also offer real world experience in the classroom as scholar practitioners.

The student-faculty ratio for the 2015-2016 year as reported by IPEDS is 20:1. This ratio has decreased

in recent years, as noted in the table below. The maximum class size at APUS is 25 students.

Year	Student-Faculty Ratio
2010-2011	24:1
2011-2012	22:1
2012-2013	23:1
2013-2014	21:1
2014-2015	21:1
2015-2016	20:1

Requisite faculty credentials are outlined in position descriptions and the faculty handbook. APUS policy for ensuring faculty are qualified to teach at the undergraduate and graduate levels follow the guidelines as outlined in the recent HLC publication “Determining Qualified Faculty Through HLC’s Criteria for Accreditation and Assumed Practices: Guidelines for Institutions and Peer Reviewers” (published March 2016).

Guided by policy in the Faculty Handbook, APUS has processes in place to evaluate faculty on a regular and systematic basis. These processes include individual performance assessments, classroom observations, and the annual performance review process.

3.D - Core Component 3.D

The institution provides support for student learning and effective teaching.

All new Associate degree and Bachelor's degree students are required to take COLL100 - Foundations of Online Learning as their first course toward a degree. This foundational course is designed to provide a solid footing to undergraduate coursework in an online environment, introducing topics such as learning theories and styles, online research, academic writing, formatting and citation styles, and how to access the tools available in the online classroom and the University at large. A graduate student orientation is required to ensure student expectations are commensurate with the rigor of graduate level learning and to provide students with access to the multitude of available resources that are designed to assist the student through their lifecycle at the institution.

Academic advising is provided by staff members who work in teams assigned to specific academic schools. Advisors are divided by degree level (graduate and undergraduate) then again by academic school. The team model allows advisors to have a high degree of knowledge about specific academic programs, course offerings, career paths and expectations that fall within a particular school. Specific policies direct advisors' interactions with students. Advisors help familiarize students with the programs and courses available, direct students to the Student Handbook and course catalogs for questions on procedures and expectations, hold webinars on various topics of interest to students, and orient students to academic policies such as requirements and deadlines. Specialized training assures these staff members have the appropriate background to handle these issues.

The APUS library plays a central role in student inquiry, knowledge acquisition, and critical assessment of research resources. The library is home to a series of instructional videos on research topics addressing issues such as getting started with research, research tools, and tips for using the open web

for research for both undergraduate and graduate students. The library also hosts the Graduate Studies Resource Center, where students can find a Research Methods Guide, the End of Program Assessment Manual, and a collection of resources on Writing Help for Theses.

3.E - Core Component 3.E

The institution fulfills the claims it makes for an enriched educational environment.

APUS contributes to the formation of service and leadership skills by supporting over 50 student clubs, honor societies, and professional organizations. Some of these organizations focus on specific academic programs, creating a forum for students to discuss relevant topics and an opportunity for students with similar academic interests and goals to connect with each other. Others provide opportunities for students to engage with one another outside of academic interests.

APUS also provides student services in extracurricular areas, including career services, a veteran's center, and alumni services. Career services personnel support the mission of APUS by providing students and alumni with services such as resume review, career coaching, and interview preparation assistance, as well as virtual career fairs.

Criteria 4 - Teaching and Learning: Evaluation and Improvement

The institution demonstrates responsibility for the quality of its educational programs, learning environments, and support services, and it evaluates their effectiveness for student learning through processes designed to promote continuous improvement.

4.A - Core Component 4.A

The institution demonstrates responsibility for the quality of its educational programs.

APUS conducts institution-wide, triennial program reviews of academic program families (*i.e.*, Associates, Bachelor's, and Master's degrees of the same discipline) which bring together key stakeholders of the institution. The objectives of the program review are to: 1) validate currency and relevancy of programs; 2) evaluate student learning; 3) seek input from the APUS community; and 4) provide strategic direction for the continuous improvement of programs. While the program review process has evolved since its inception in 2006, it has strengthened the academic quality of courses and programs with increased accountability among faculty and Program Directors. There are four phases to the program review process which include: 1) data collection and analysis; 2) external review; 3) dialogue and engagement of stakeholders across the University; and 4) development of a three year plan.

APUS relies on three joint school Curriculum Committees to undertake the work of assuring academic rigor and oversight of changes to the curriculum:

- School of Education and School of Arts and Humanities
- School of Security and Global Studies and School of Health Sciences
- School of Business and School of Science, Technology, Engineering and Math

APUS values the benefits to its programs and students obtained by specialized/programmatic accreditation. APUS programs which hold specialized accreditation include Business and Nursing through the Accreditation Council for Business Schools and Program (ACBSP) and the Commission on Collegiate Nursing Education (CCNE) respectively.

4.B - Core Component 4.B

The institution demonstrates a commitment to educational achievement and improvement through ongoing assessment of student learning.

The assessment of student learning outcomes is an ongoing process which involves all members of our community through direct and indirect measures of assessment at the course, program, and institutional levels. Continuous assessment processes enable us to identify what students are learning and improve the student learning environment through courses and academic programs.

In order to evaluate and inform teaching and learning, as well as benchmark programs, APUS administers nationally administered tests like the ETS Proficiency Profile, ETS Major Field Tests, and Peregrine Comprehensive Exams.

Use of information garnered from student learning data and assessment analyses is common practice across APUS and the impact of data on student learning can be seen at multiple levels, including major curricular revisions and development of new courses, and changes in assignments within individual courses.

4.C - Core Component 4.C

The institution demonstrates a commitment to educational improvement through ongoing attention to retention, persistence, and completion rates in its degree and certificate programs.

In 2011, APUS made a strategic decision to devote significant focus and resources towards student persistence and completion. Annual goals since 2011 have been established in institution-wide strategic plans. In the overall 2015-2019 strategic plan and within the APUS pillar of Academic Excellence, the following goals were set forth to improve student persistence, by enhancing student success through academic and student engagement that addresses the changing needs and expectations of APUS's diverse student body:

1. Increase percentage of new passing undergraduate students returning for a second class from 75% in 2014 to 80% in 2015; and rising to 85% by 2019.
2. For second-time students, increase by 10% those who re-enroll for a third-time.
3. Improve classic Bachelor's student 6 year completion rate from 44% to 50% by 2019.

As a result of the work with the HLC Academy for Student Persistence and Completion, a comprehensive strategy was developed to pro-actively reach out to students at-risk of non-persistence in courses. In 2015, APUS partnered with Civitas Learning to integrate *Inspire for Faculty* into classrooms. Inspire is a web-based application tool that provides faculty members with information related to a student's engagement in the course. The tool enables faculty to quickly see student engagement levels so they can provide outreach to those students in need of support.

Illume was implemented to analyze persistence patterns based on past student performance and current demographics. *Illume* serves to: 1) identify key institutional insights that could be used for policy or intervention decision-making; and 2) surface top predictors for student persistence in both the overall student population and student subgroups. For future planned efforts, it will assess intervention efficacy to learn what's working, what's not, and for whom.

As part of overall persistence and completion efforts, high enrollment courses were reviewed for their percentage of D grades, failures, withdrawals, and incompletes (DFWI rate). As a result of course improvement efforts, overall DFWI rates improved from 2013 - 2016.

Beginning in 2012, the Foundations of Excellence committee made recommendations to create a more engaging and holistic experience for first-year students by: 1) providing faculty with specific tools and training geared towards first-year students; 2) providing additional guidance to students on course progression; 3) coordinating consistent communications regarding first-year students; 4) creating a single point of access for relevant first-year resources; 5) implementing mandatory placement testing for math and English before enrollment; 6) integrating curricular and co-curricular services and resources; 7) extending first-year focus beyond COLL100 (*Foundations of Online Learning*) to include the first five courses; and 8) coordinating persistence and completion data at the program level, including the development of dashboards and school persistence and completion strategies.

The Office of Institutional Research (IR) has worked with academic leadership to define and measure persistence and completion rates at APUS. Institutional Persistence Rates and Institutional Completion Rates dashboards were developed by IR and allow the Provost, Deans, and Directors to view persistence and completion rates by school, degree level, and program. The IR team reviews these dashboards with the Deans and directors from all schools on a quarterly basis to discuss trends and themes. The IR office also worked closely with academic leadership and the Information Technology (IT) department during the implementation of the *Illume* and *Inspire for Faculty* systems from Civitas Learning. Steps were taken by Civitas, in collaboration with IR, to ensure that: 1) data loaded into the new systems were valid and reliable; and 2) metrics used by the *Illume* and *Inspire for Faculty* systems were in alignment with APUS metrics and methodologies.

Criteria 5 - Resources, Planning, and Institutional Effectiveness

The institution's resources, structures, and processes are sufficient to fulfill its mission, improve the quality of its educational offerings, and respond to future challenges and opportunities. The institution plans for the future.

5.A - Core Component 5.A

The institution's resource base supports its current educational programs and its plans for maintaining and strengthening their quality in the future.

As an online university, APUS's state-of-the-art information technology is central to fulfilling the mission. IT projects are carefully planned and managed, to assure that there are enough resources to maintain all University functions. The Facilities Department is responsible for maintaining the appearance and functionality of external and internal properties and ensuring the safety and security of staff and visitors at the University's administrative offices. Compared to a more traditional university, APUS's comparatively small physical facilities are a driving factor in the University's ability to keep costs to students low.

APUS's efforts to streamline operations and reduce operational costs are illustrated by these examples:

- APUS maintains marketing costs below its competitors.
- The University has developed and built prize-winning open education resources that have saved over \$1 million dollars.
- These innovations and internal efficiencies have allowed APUS to keep tuition low throughout its history.

Projected expenditures for 2016 indicate the University will spend 37% of its expense budget on educational costs and services, 18.9% on marketing and promotion, 22.9% on administration, 11.1% on depreciation and bad debt, with net income of 8.9%. The APUS marketing cost percentage is well below that of similar organizations.

The University is a strong organization and is currently realizing the goals set forth in its mission statement. As demonstrated by its audited financial statements APUS is financially healthy, and the University believes it will continue to be so.

APUS is committed to providing quality training that enhances leadership competence and develops employee knowledge and capabilities. To this end, APUS offers employees an array of free or low-cost training and development opportunities including workshops on career development, leadership development, compliance training, wellness training, and professional assessments.

In addition, full-time employees (staff and faculty) of the University are eligible to take courses or pursue a degree program at APUS at no cost. Professional development opportunities are available for selected employees for tuition reimbursement for a degree program from another accredited university, provided it is not one offered currently by APUS, is job-related, and is mutually beneficial to APUS and the employee.

APUS employs an iterative budget process which uses data from many parts of the University. The annual process begins with an environmental scan presentation. Each department then develops its own draft plan and budget, based on the goals of the mission, and aligned with the University's three strategic pillars: 1) Academic Excellence; 2) Strategic Enrollment Growth and 3) Organizational Effectiveness. Revenue and registrations are carefully predicted, then inserted to be included in the profit and loss presentation of the data entry forms for each department. Academic programs prepare their own budgets for roll up into the institution budgeting process. Capital budgets are also outlined. Following a review by Finance, the budget is presented to the APUS Board of Trustees for review. Additional adjustments or edits may be needed before final approval is granted by the APUS Board of Trustees. Once the budget is approved, the data is imported into the financial system and locked, to be used for comparative reporting and trend analysis.

5.B - Core Component 5.B

The institution's governance and administrative structures promote effective leadership and support collaborative processes that enable the institution to fulfill its mission.

The APUS Board of Trustees governs APUS by reviewing, advising, and determining the University's mission and strategic plan, as well as by establishing the budget to ensure the organization's capacity to function responsibly and to provide for fiscal accountability. The APUS Board of Trustees regularly receives updates from the financial leadership of the University on the current financial status, as well as forecasts of future results.

The APUS Board of Trustees also systematically considers its role and performance, conducting periodic evaluation of its own performance and operations, as well as receiving presentations from outside advisors on the appropriate role of a Board and applicable legal and fiduciary duties.

Deans and Program Directors are involved in University planning and budgeting through the yearly submission of program-generated plan and budget proposals. Faculty serve on numerous task forces

throughout the year, providing input to University policies.

The development of academic requirements at APUS reflects best practices in higher education. Faculty participate via committee work, curriculum development, and program reviews; staff participate through committee work that includes policy recommendations and reviews; students participate via targeted surveys and through participation in the Graduate Advisory Council; alumnae provide feedback through the University Ambassador program; and the administration works closely with faculty, staff, and students to develop, review, and revise academic requirements. The University regularly benchmarks its programs and seeks feedback from faculty, staff, and students in open forum meetings.

5.C - Core Component 5.C

The institution engages in systematic and integrated planning.

Each year the planning process at APUS begins either right before, or during the summer; based on input provided to the APUS Board of Trustees and University leadership about institutional capacity and likely changes in the internal and external industry environments. These scans assess capacity and likely changes in the internal and external environments. APUS and APEI work collaboratively to finalize an annual budget for APUS, which is discussed in joint session by the APUS Board of Trustees and APEI Board of Directors. The APUS budget is then approved by the APUS Board of Trustees; subsequently, the APEI Board of Directors approves a consolidated budget for APEI, which accounts for the approved APUS budget. In each budget cycle, the University and its academic departments develop plans based on the final budget. All costs attributed to each business function delivered under the shared services model will be accounted for in the APUS budget and will be subject to oversight by the APUS Board of Trustees.

The APUS strategic plan for information technology documents the University's commitment to remaining fully up-to-date with the electronic and learning industries. This plan, known as the IT Roadmap, was initiated in 2013. Its primary purpose is to assure alignment of IT projects with APUS priorities. The Roadmap keeps the status of key IT initiatives in front of senior management within the University. Projects that are included are those assigned a high priority by University leadership and those that are needed to maintain regulatory compliance.

5.D - Core Component 5.D

The institution works systematically to improve its performance.

APUS continuously strives to improve the performance of the institution in a systematic manner, relying on several methodologies to identify, document, and develop performance measures for the varied areas of its operations. Institutional effectiveness is measured relative to the institutions strategic priorities and intended course, program, and institutional outcomes. Lessons learned from operational challenges are used in being and promoting a the culture of learning. For example, in 2012 the University decided to bring all financial aid application processes in-house to both better serve APUS students and to create operational efficiencies. The University identified a vendor to design and implement a system that could match the unique institutional characteristics of APUS. After implementation, the University concluded that the back end processes were not optimal. Within a year of initiating this in-house system, the decision was made to redirect the project due to challenges with the back end financial processes. The University learned from this effort that it would have been better served to roll out the new system more slowly. When the University transitioned to a new system, it did so in a more measured pace so that if challenges arose they could have been more easily dealt with

without putting additional strain on the organization.

C.14 Outline how the institution has been working to address any challenges identified by the last comprehensive evaluation team and any issues to have been addressed in upcoming Commission monitoring. How will the transaction assist the institution in resolving the issues identified by the Commission?

In March 2015, the University submitted an interim report to the HLC addressing HLC's recommendations that APUS improve University-wide coordination and graduate studies. HLC staff concluded that the report was a comprehensive, detailed review of these issues, with appropriate documentation. HLC noted that APUS had affirmed its commitment to quality education through actions such as:

1. Hiring a Dean of Graduate Studies;
2. Creating a Graduate Advisory Council;
3. Establishing Key Performance Indicators for measuring outcome related to strengthening graduate culture;
4. Gaining admission to and participating in the Council of Graduate Schools;
5. Establishing an Institutional Review Board; and
6. Mapping all graduate programs to graduate level competencies outlined in the Institutional Learning Outcomes.

HLC staff further noted that APUS had established three thematic categories where University efforts at improvement of graduate studies have centered and that these categories aligned with the HLC concerns:

1. University-wide coordination of graduate studies;
2. Research and scholarly activity; and
3. Active engagement with professional organizations focused on graduate studies.

The HLC staff concluded that the APUS interim report provided substantive evidence to show that APUS had responded appropriately to the concerns expressed by the 2011 team report. See [Exhibit \[V\]](#), HLC's response to APUS report. No further reports were required.

The implementation of a shared services model will not in any way impair the establishment of these improvements.

C.15 Provide any other information important to understanding the transaction or the effect of the transaction on the institution.

The development and execution of the shared services agreements occurred in a manner consistent with the overarching principle that operational oversight should continue to be with the APUS Board of Trustees. After the APUS Board approved moving forward with planning for the shared services model, the APUS Board formed a special committee to provide Board-level input into the process. The special committee asked representatives of the APEI Board of Directors to join the special committee in order to ensure a direct line of communication between the two Boards with respect to the implementation of the shared services model and to confirm that the APEI Board of Directors continued to share the APUS Board's vision with respect to autonomy and oversight over wholly University functions. The special committee regularly met with members of the administration and representatives of KPMG, which was

engaged by the University to provide administrative support, advice and tools during the process, to review the process for planning for the implementation of the shared services model and development of the Services Agreement and Service Schedules.

The special committee provided feedback on the Services Agreement and the Service Schedules to the University administration, and regularly updated the full Board of Trustees on the process. After ensuring that the documents reflected their input, APUS Trustees on the special committee ultimately recommended that the APUS Board of Trustees approve the model. The full APUS Board of Trustees had the opportunity to review and comment on the proposed model, and had the opportunity to ask questions about the terms in the Services Agreement and the process used. At a meeting on December 8, 2016, the APUS Board of Trustees approved the draft Services Agreement and the draft Service Schedules, contingent on relevant HLC action. The shared services model is only a new method of delivering the existing seven business function services. APUS and APEI plan to execute relevant documents and enter into the shared services model promptly after receiving confirmation from HLC that the shared services model either does not qualify as a change that requires approval or that HLC has approved the Change Application.