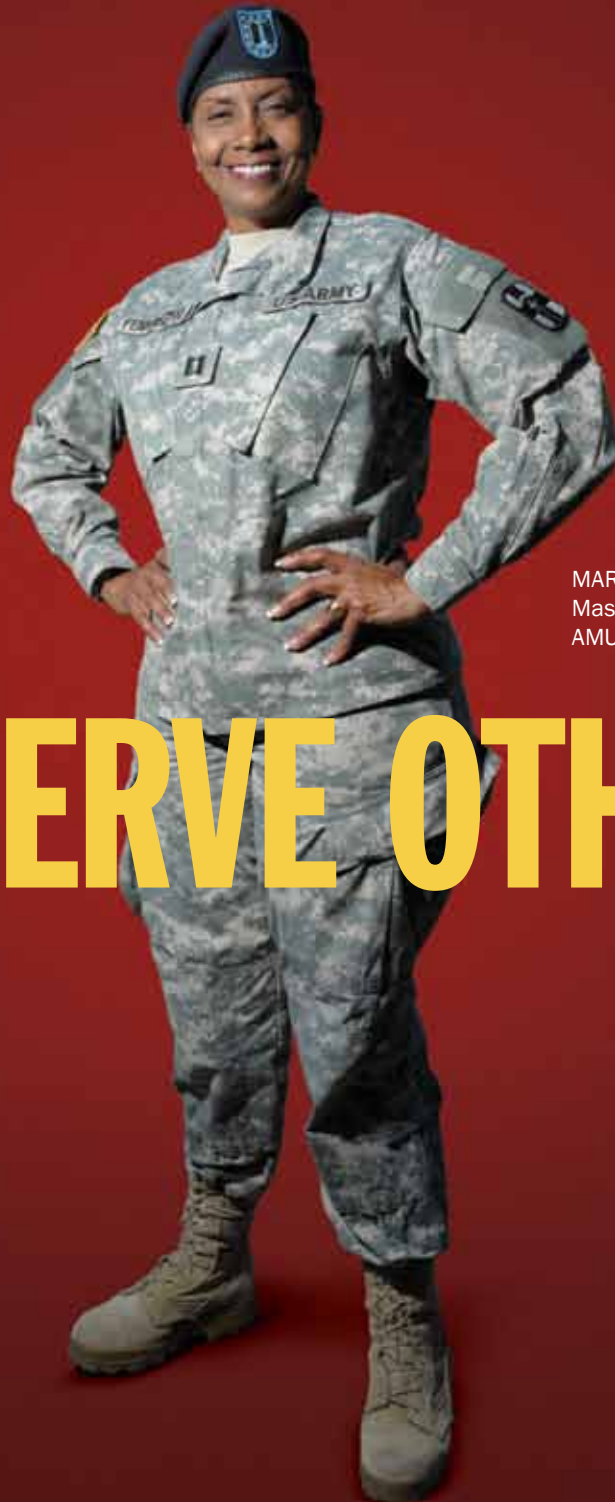


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AMERICAN PUBLIC
EDUCATION, INC.



ANNUAL REPORT 2011



MARCELLE PENN MATHIS
Master of Public Health
AMU

TO SERVE OTHERS

Marcelle Penn Mathis has a passion for service—and volunteerism. Among her many medals and awards are two Presidential Volunteer Awards. After joining the U.S. Army Reserve Medical Service Corps as a commissioned officer at the age of 45, Penn Mathis decided to pursue her passion at AMU, by earning a master's in public health with a focus on emergency management. "AMU changed my life," she says. "My education opened the way to my appointment as Commissioner at the Los Angeles County Hospitals and Healthcare Delivery Commission," where she serves today.

Our mission is to provide quality higher education with an emphasis on educating the nation's military and public service communities by offering respected, affordable, student-focused online programs, which prepare them for service and leadership in a diverse, global society.

American Public University System (APUS), wholly owned by American Public Education, Inc. (NASDAQ: APEI), is comprised of American Military University (AMU) and American Public University (APU). Throughout APUS, we are committed to serving our students by embracing practices that provide rich learning opportunities and support student success.

The APUS mission extends beyond our academic community. We are dedicated to creating social value by expanding access to higher education, supporting the communities we serve, promoting diversity, and protecting the environment.

WE ARE MISSION-DRIVEN.





SHEILA VON MAYER
Master of Business Administration
AMU

TO MAKE A DIFFERENCE

Sheila von Mayer enrolled at AMU to pursue a degree in business administration, with a concentration in non-profit management. Today, she helps organize a visitation center for children from abusive and neglected homes in Louisiana, volunteers for Operation Homefront, and serves on the board of a mediation center in Baton Rouge. "I want to play a role in making America a safer place for our children," she says. Toward that end, she plans to create her own non-profit.

Nationally recognized for best practices in online education, APUS offers 87 degree programs in fields ranging from homeland security, space studies, and emergency and disaster management to liberal arts and education—providing quality higher education to more than 100,000 students in a flexible, affordable online setting.

At APUS, we build meaningful, long-term relationships with all our stakeholders. We take our responsibility to our students seriously, foster an academic environment that supports their success, and develop programs that meet their needs and specialized interests. Our students report high levels of satisfaction with their experience. Based on a recent survey, 95% of respondents agreed or strongly agreed that AMU or APU met their overall expectations and 91% would recommend AMU or APU to family, friends, and co-workers.*

We support our graduates through industry relationships and strategic alliances with select Fortune 500 companies, non-profit organizations, and government agencies. In addition, we engage with thought leaders in a variety of fields and actively participate in conferences and professional association meetings—sharing innovative approaches to address critical problems and promote best practices. This active engagement keeps our curriculum strong and relevant; helps build our reputation; and, ultimately, draws students to our university.

THE COMBINED COST OF UNDERGRADUATE TUITION AND COURSE MATERIALS AT AMERICAN PUBLIC UNIVERSITY SYSTEM IS ROUGHLY 20% LESS THAN THE AVERAGE FOUR-YEAR PUBLIC UNIVERSITY'S IN-STATE RATES.**

*American Public University System, one-year Post-graduation Survey, January – December 2011

**The College Board, *Trends In College Pricing 2011*, October 2011

DISTINGUISHED FACULTY



DR. KARAN POWELL
EXECUTIVE VICE PRESIDENT
AND PROVOST

“Many of our faculty members are leaders in their respective disciplines. They include former astronauts, former intelligence officials, and scientists; professionals in public health, emergency response and disaster management; and leaders in industries such as retail, hospitality, and sports. As teachers, they bring real-life experience to the learning environment. They are also scholars and researchers, contributing to the body of knowledge in their respective disciplines and to professional practice in their related occupations. In 2011 alone, APUS faculty members presented or published more than 300 journal articles, papers, and books. The experience of APUS faculty, combined with our emphasis on a data driven approach to measuring and improving student learning outcomes, helps earn us recognition for academic quality and best practices in teaching and learning.”





PHILIP MOYER
B.S., Fire Science Management
APU

TO ACCOMPLISH MORE

A long-time volunteer firefighter, Philip Moyer was pursuing his degree at a traditional university when he became a career firefighter three years ago. "I wanted to continue my education but didn't know how I could, with a full-time job, family, and new career," he says. APU provided that opportunity. After transferring to APU and completing his undergraduate studies, Moyer plans to pursue a master's degree. "And in a few years," he says, "I plan to test for a captain's position." Meanwhile, he's putting his education to work every day in the field.

We are active members of the global community. Our service-oriented mission and curriculum reflect the challenges of an increasingly complex world. As an online institution of higher learning, we strive to play a leadership role in promoting innovation, environmental sustainability, community service, and best practices in online education.

APUS is a global institution. Our students live, work, and study in 50 states and 100 countries. We provide significant financial support to local, national, and global charities; to organizations that support the military; and to a wide range of community service organizations around the world. We support innovation on a variety of fronts, engaging with the broader academic community and with non-profits to advance higher education. We work with organizations such as the Lumina Foundation and Next Generation Learning Challenges (funded by the Bill and Melinda Gates Foundation) to explore new learning technologies, to improve student outcomes and access, and to define best practices in American higher education.

In the environmental arena, we practice what we teach. All new buildings and renovations, including our Academic Center and Finance building, are designed and constructed to meet or exceed LEED Silver standards. We use environmentally friendly products, paperless practices and digitization, and promote recycling and green transportation.

A CHARTER SIGNATORY TO THE AMERICAN COLLEGE & UNIVERSITY PRESIDENTS' CLIMATE COMMITMENT (ACUPCC), APUS IS COMMITTED TO ACHIEVING CARBON-NEUTRALITY BY 2050.

1,600



ROOFTOP SOLAR PANELS

In 2011, installation began on 1,600 solar panels adjacent to the new APUS financial center in Charles Town, West Virginia, as part of a broad effort to reduce our carbon footprint. This solar array, the largest in West Virginia, will generate 480,000 kilowatts of electricity a year—enough to power 30 homes. The installation is situated on a canopy structure in a parking lot that will also feature 15 charging stations, so employees and visitors can re-charge their electric vehicles.



DEAR SHAREHOLDERS,

AMERICAN PUBLIC UNIVERSITY SYSTEM IS ON A MISSION—TO SUPPORT OUR STUDENTS, OUR NATION AND OUR COMMUNITIES BY PREPARING OUR GRADUATES TO SERVE AND LEAD IN THE 21ST CENTURY. OUR SOCIETY NEEDS THESE CRITICAL THINKERS, PROBLEM-SOLVERS, AND DOERS TO MEET THE CHALLENGES OF A CHANGING WORKPLACE AND A CHALLENGING WORLD. WE BELIEVE BY FULFILLING OUR MISSION, WE MAKE A MEANINGFUL CONTRIBUTION TO THE ADVANCEMENT OF HIGHER EDUCATION AND TO THE FUTURE OF THE GLOBAL COMMUNITY.

Since its founding in 1991, American Public University System (APUS) has evolved into an institution of higher education that serves an increasingly diverse body of students. Although APUS was originally established as American Military University to serve military students, today civilians make up a growing percentage of our student body. In 2011, net course registrations by students using federal student aid increased dramatically year-over-year and now represent more than a third of overall course registrations at American Military University (AMU) and American Public University (APU). This growing body of mostly civilian students brings a diversity of backgrounds, experiences, and perspectives to the classroom. We cherish and honor our military heritage and, at the same time, welcome our growing diversity. It enriches the collaborative learning experience that flourishes at APUS. We expect that the occupations of our primarily working adult students will continue to diversify in the years ahead.

A UNIQUE VALUE PROPOSITION

In an environment where prospective students are becoming increasingly

discerning, we offer an attractive and unique value proposition—access to an affordable, quality higher education in a flexible, online setting. Academic quality is central to everything we do. We have an impressive faculty, including experts in their respective fields and scholars dedicated to their students' success. We continue to achieve recognition for the quality of our academic programs and for best practices in online education.

Now more than ever, prospective students are wary of taking on debt, even for higher education. Yet they recognize the advantages a degree offers. Unemployment, while high, is significantly lower among those with a college education. Given the quality, breadth, and affordability of our degree programs, we offer an increasingly attractive higher education option for students. While many universities have steadily increased their tuition rates, we continue to keep tuition low. For the 2011-2012 academic year, according to the College Board, public four-year universities raised their in-state tuition, on average, 8.3%. Yet, AMU and APU have not raised under-

graduate tuition since 2001. Going forward, we are committed to keeping our tuition affordable and competitive.

A COLLABORATIVE APPROACH

We collaborate with other institutions to improve the quality of our programs and promote student success. As pioneers in data-driven decision-making, we have a history of measuring student engagement and learning. We administer a variety of nationally validated surveys and exams in specific disciplines and use the results to improve student outcomes and academic quality. Today, in partnership with other universities—including many non-profit and traditional institutions—we are exploring best practices in academic analytics and doing groundbreaking research on predictive analytics to improve student success and retention.

In 2011, APUS joined with Western Interstate Commission for Higher Education's Cooperative for Educational Technologies (WCET) to take a lead role in a research project that ultimately aims to improve retention and learning outcomes of U.S. online students. Funded by a grant from the Bill &



DR. WALLACE E. BOSTON

Melinda Gates Foundation, the project will research factors impacting student progress and identify students who need academic support before they falter—and drop out. APUS is among six institutions participating in this initiative. APUS is also a participant in the Next Generation Learning Challenges (NGLC) cooperative, as a member of the Open Academic Analytics Initiative (OAAI). Funded by the Bill & Melinda Gates Foundation and William & Flora Hewlett Foundation, NGLC is focused on identifying and scaling technology to improve college readiness and completion, especially for low-income and young adults in the United States.

We also build innovative, value-added relationships with non-profits, corporations and government agencies—an approach that benefits our students, our curriculum and our nation. In 2011, we announced several new strategic relationships including FBI InfraGard, a public-private partnership to protect critical infrastructure, and the Loss Prevention Foundation, a professional association serving employees of more than 300 U.S. retailers. APU has an exclusive agreement with Walmart to be the company's

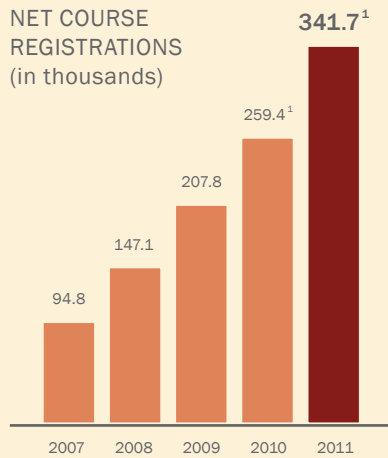
Lifelong Learning higher education partner in the United States. The retailer recently added a family benefit, expanding the Lifelong Learning Program to include spouses and dependents of eligible Wal-Mart and Sam's Club associates in the U.S. We work with a growing number of corporate partners to help them fulfill their human resources needs and to explore ways to support the academic and professional aspirations of employees. We have industry advisory councils in place in many disciplines. Our curriculum is leading edge and relevant to the changing workplace as a result of the exceptional advice provided by the industry leaders and respected professionals who serve on our advisory councils. For example, our advisory council in the field of Transportation and Logistics Management helped us identify the emerging field of Reverse Logistics, and in 2011, we launched a degree program in Reverse Logistics Management, the first of its kind.

2011 PERFORMANCE

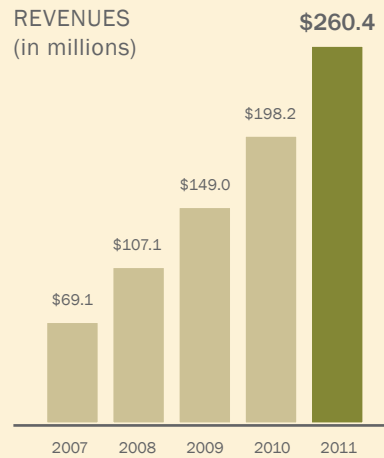
For 2011, net course registrations are up 32%, revenues and net income are up 31% and 36%, respectively, from

the prior year. We believe, as an online institution, APUS is inherently more cost-efficient than a typical brick-and-mortar institution. We manage costs through a highly efficient automated business and administrative system we call Partnership at a Distance (PAD). In addition, we spend significantly less on marketing than many of our peers because of our high referral rates and a unique emphasis on relationship marketing. In 2011, more than 40% of our new students came to us through referrals—an increase over prior years. In addition, over the past two years, 50% of our 2009 graduates have come back for a second degree. The success of our students and our graduates is truly our most important performance metric. AMU and APU students continue to perform well on the ETS Proficiency Profile. In 2011, our bachelor's degree graduating seniors outperformed the national norms in each category tested by this exam. In addition, more students are graduating from our institution than ever before. In 2011, AMU and APU graduated 6,300 students—up 31% from 2010—who are now professionals in a variety of fields making a difference in the world and their communities.

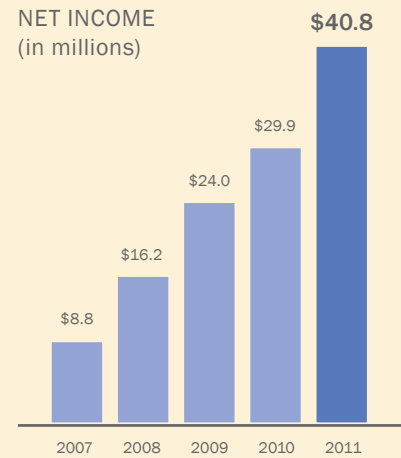
NET COURSE REGISTRATIONS
(in thousands)



REVENUES
(in millions)



NET INCOME
(in millions)



Net course registrations represent the aggregate number of classes in which students remain enrolled after the date by which they may drop the course without financial penalty.

1. On January 3, 2011, APUS combined each one-credit lab course with its related three-credit class resulting in one four-credit course. Net course registrations exclude other non-credit registrations and are presented as if labs and classes were combined during the year 2010 and 2011.

An important aspect of quality improvement at academic institutions is the comprehensive evaluation process by accrediting agencies. APUS successfully underwent two scheduled evaluations that included institutional self-studies and on-site evaluations by trained peer reviewers. In 2011, the Higher Learning Commission (“HLC”), our regional accrediting body, reaffirmed APUS accreditation without any stipulations on its affiliation status. APUS’s next comprehensive evaluation by HLC is scheduled for the 2020-21 academic year, and it has an interim progress report regarding development of University-wide coordination and improvement of graduate studies due in July 2015. More recently, in January 2012, the Accrediting Commission of the Distance Education and Training Council (DETC), our national accrediting body, reaffirmed APUS accreditation.

LOOKING AHEAD

In 2011, our faculty gave more than 800 presentations and earned over 100 awards in recognition for their professional practice and publications.

In the years ahead, we will expand our focus on teaching excellence, promote the strong teaching presence of our faculty, and support them in teaching, while encouraging them to be active in their professional fields.

With the guidance of our Board of Trustees, Board of Directors, and key stakeholders, we will continue to move forward to fulfill our strategic vision. Our goal is to be recognized as a leader in advancing positive change in the field of higher education and within the broader community; as one of the best values among baccalaureate degree-granting institutions; and as a quality provider, committed to our students, our partnerships, and to the communities we serve.

Today, we serve more than 100,000 students located in 50 states and more than 100 countries. We are proud to be among the innovators reshaping higher education at a time when there is a growing demand for learning and engagement in a collaborative, online environment. Our vision is to broaden our student diversity, at home and

abroad, by continuing to expand our ability to meet the higher education needs of primarily working adults so they, in turn, can serve the needs of an increasingly complex global community.

In closing, I want to thank our faculty and staff for their dedication to our mission—and for bringing it to life on a daily basis. APUS has a bright future ahead, as we continue to distinguish ourselves and earn the trust and recognition of others.

Sincerely,

DR. WALLACE E. BOSTON
President and Chief Executive Officer



FROM LEFT TO RIGHT

Dr. Sharon van Wyk, Dr. Karan H. Powell, Mr. Harry T. Wilkins, CPA, Dr. Wallace E. Boston, Mr. Peter W. Gibbons, Ms. Carol S. Gilbert, Mr. William Dale Young, Jr., Dr. Gwendolyn M. Hall

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*President and Chief Executive Officer;
Member, Board of Trustees;
Member, Board of Directors*

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*Executive Vice President
and Chief Financial Officer*

Dr. Karan H. Powell*

*Executive Vice President
and Provost*

Ms. Carol S. Gilbert*

*Executive Vice President of Programs
and Marketing*

Dr. Sharon van Wyk*

*Executive Vice President
and Chief Operations Officer*

Mr. Peter W. Gibbons*

*Senior Vice President
and Chief Administrative Officer*

Dr. Gwendolyn M. Hall

*Senior Vice President
and Academic Operations Officer*

Mr. William Dale Young, Jr.*

*Senior Vice President
and Chief Information Officer*

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Vice President, Legal Affairs

Ms. Lyn Geer

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Ms. Terry Grant

*Vice President, Enrollment Management
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Mr. Michael White

Vice President, Tax & Budgeting

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*Vice President, Technology Operations
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* Denotes executive officers for purposes of the Securities Exchange Act.




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