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

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

SCHEDULE 14A

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

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

Filed by the Registrant x

Filed by a Party other than the Registrant o

Check the appropriate box:

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

American Public Education, Inc.

(Name of Registrant as Specified In Its Charter)

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

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AMERICAN PUBLIC EDUCATION, INC.
111 W. Congress Street
Charles Town, West Virginia 25414

NOTICE OF ANNUAL MEETING OF STOCKHOLDERS

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

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

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

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

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

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

By Order of the Board of Directors

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

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AMERICAN PUBLIC EDUCATION INC.
111 W. Congress Street
Charles Town, West Virginia 25414

PROXY STATEMENT FOR ANNUAL MEETING OF STOCKHOLDERS
To Be Held On June 1, 2018

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

ABOUT THE ANNUAL MEETING

Purpose of the Annual Meeting

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

Proposals to be Voted Upon at the Annual Meeting

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

Proposal No. 1: To elect to the Board the seven nominees set forth in this Proxy Statement, each of whom will hold office until the next annual meeting of stockholders and until his or her successor is elected and qualified or until his or her earlier death, resignation or removal.
Proposal No. 2: To approve, on an advisory basis, the compensation of our named executive officers as disclosed in these proxy materials.

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

Recommendation of the Board

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

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

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

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

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

Voting at the Annual Meeting

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

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

If on the Record Date you hold shares of our common stock in an account with a brokerage firm, bank, or other nominee, then you are a beneficial owner of the shares and hold such shares in street name, and these proxy materials will be forwarded to you by that organization. As a beneficial owner, you have the right to direct your broker, bank, or other nominee on how to vote the shares held in their account, and the nominee has enclosed or provided voting instructions for you to use in directing it how to vote your shares. The nominee that holds your shares, however, is considered the stockholder of record for purposes of voting at the Annual Meeting. Because you are not the stockholder of record, you may not vote your shares in person at the Annual Meeting unless you bring to the Annual Meeting a letter from your broker, bank or other nominee confirming your beneficial ownership of the shares.

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

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

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

Quorum Requirement for the Annual Meeting

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

Required Votes

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

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

Solicitation of Proxies

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

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CORPORATE GOVERNANCE STANDARDS AND DIRECTOR INDEPENDENCE

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

Corporate Governance Matters

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

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

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

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

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

Certain Relationships and Related Person Transactions

Policies and Procedures for Related Person Transactions

As a supplement to and extension of our Code of Ethics, the Board has adopted a Policy for Related Person Transactions pursuant to which our Nominating and Corporate Governance Committee, another independent committee of the Board or the full Board, must give prior consent before we may enter into a related person transaction with our executive officers, directors, nominees for director and principal stockholders, including their immediate family members and affiliates. Any request for us to enter into a related person transaction with an executive officer, director, nominee for director, principal stockholder or any of such persons immediate family members or affiliates must first be presented to our Nominating and Corporate Governance Committee for review, consideration and approval. A related person transaction is a transaction in which the Company is or will be a participant and in which a related person has or will have a direct or indirect material interest, other than (i) a transaction involving $120,000 or less when aggregated with all related transactions, (ii) a transaction involving compensation to an executive officer that is approved by the Board or the Compensation Committee, (iii) a transaction involving compensation to a director or director nominee that is approved by the Board, the Compensation Committee or the Nominating and Corporate Governance Committee, and (iv) any other transaction that is not required to be reported pursuant to Item 404(a) of Regulation S-K under the Securities Exchange Act of 1934. All of our directors, executive officers and employees are required to report to our Nominating and Corporate Governance Committee any such related person transaction. In approving or rejecting the proposed

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

Related Person Transactions

There were no related person transactions in 2017.

Stock Ownership Guidelines

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

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

the Company s Senior Vice Presidents one times base salary.

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

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

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

Restrictions on Hedging

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

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Restrictions on Pledging

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

Board Independence and Leadership Structure

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

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

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

Board s Role in Risk Oversight

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

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

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

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

Meetings of the Board of Directors and its Committees

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

The Board and its committees meet regularly throughout the year, and also hold special meetings and act by written consent from time to time. The Board held a total of five meetings during the fiscal year ended December 31, 2017. During this time, all of our current directors attended at least 75% of the aggregate number of meetings held by the Board and all committees of the Board on which such director served (during the period that such director served). The Board does not have a formal policy with respect to Board member attendance at annual meetings of stockholders. Our 2017 Annual Meeting of Stockholders was attended by all of our directors who were then serving.

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BOARD COMMITTEES AND THEIR FUNCTIONS

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

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

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

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

(1) Chair of the Committee.
(2) Chair of the Board.

Audit Committee

The Board has established a separately designated standing Audit Committee in accordance with Section 3(a)(58)(A) of the Securities Exchange Act of 1934. The Audit Committee is responsible, among its other duties and responsibilities, for overseeing our accounting and financial reporting processes, the audits of our financial statements, the qualifications of our independent registered public accounting firm, and the performance of our internal audit function and our independent registered public accounting firm. The Audit Committee reviews and assesses the qualitative aspects of our financial reporting, our processes to manage financial reporting risk, and our compliance with significant applicable legal, ethical and regulatory requirements. The Audit Committee is directly responsible for the appointment, compensation, retention and oversight of our independent registered public accounting firm. The members of our Audit Committee are Ms. Halle, who serves as chair of the Committee, Mr. Andersen, Mr. Landon, and Dr. Kurshan. Each member of the Audit Committee is able to read and understand fundamental financial statements, including our balance sheet, statement of operations, and statement of cash flows.

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

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Compensation Committee

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

The Compensation Committee has the sole authority to retain and terminate any compensation consultant to assist in evaluating executive officer compensation. In 2017, the Compensation Committee retained Willis Towers Watson directly as an outside compensation consultant to assist in evaluating our compensation programs, as it has since 2007. The Compensation Committee assessed Willis Towers Watson s independence, considering all relevant factors, including those set forth in NASDAQ rules. In connection with this assessment, the Committee considered Willis Towers Watson s work and determined that it raised no conflicts of interest. Willis Towers Watson does no work for the Company other than work that is authorized by the Compensation Committee or its chairperson. The Compensation Committee used information provided to it by Willis Towers Watson in connection with making 2017 compensation determinations. Willis Towers Watson also advised the Compensation Committee on the use of a peer group for comparative purposes. The consultant s role in recommending the amount or form of executive compensation paid to the Company s named executive officers during 2017 is described in the Compensation Discussion and Analysis Compensation Program Philosophy and Objectives Competitive Compensation and Peer Group Review section below.

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

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

Nominating and Corporate Governance Committee

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

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

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

Ad Hoc Committees

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

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DIRECTOR NOMINATIONS AND COMMUNICATION WITH DIRECTORS

Director Nomination Process

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

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

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

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

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

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

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

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

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

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

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

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

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

Contacting the Board of Directors

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

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

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

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PROPOSAL NO. 1 ELECTION OF DIRECTORS

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

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

Criteria for Evaluating Director Nominees

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Required Vote and Board Recommendation

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

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

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2017 DIRECTOR COMPENSATION

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

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

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

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

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

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

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

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

(1) See the Summary Compensation Table in the Compensation Tables and Disclosures section of this Proxy Statement for disclosure related to Dr. Boston, who is one of our named executive officers (NEOs) as of December 31, 2017.

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

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

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

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

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

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

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EXECUTIVE COMPENSATION

Compensation Discussion and Analysis

EXECUTIVE SUMMARY

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

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

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

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

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

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

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

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

Building on a Strong Foundation

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

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

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

2017 Compensation Mix

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

COMPENSATION PROGRAM OVERVIEW

Compensation Program Philosophy and Objectives

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

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

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Executive Compensation Best Practices

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

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

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

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COMPETITIVE COMPENSATION AND PEER GROUP REVIEW

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

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

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

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

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

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Assessing Competitive Practice

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

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

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

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

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ELEMENTS OF COMPENSATION

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

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

LONG-TERM EQUITY INCENTIVES

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

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2017 COMPENSATION DECISIONS

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

Base Salary

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

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

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

Annual Incentive Cash Compensation

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

Position	Target Annual Incentive (as % of Base Salary)
President & CEO	90%
All Other NEOs	50%

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

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

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

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

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

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

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

MBO goals		
	Total Opportunity: $322,400	**Total: $32,240**

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	Portion of Annual Incentive Plan	Weighting of Performance Goals	Opportunity	Actual Payout
Dr. Powell	Target award equivalent to 50% of base salary	40% based on financial performance goal	$152,000	$0
		10% based on annual MBO goals	$38,000	$13,300
	Stretch award equivalent to 30% of salary	20% based on financial performance goal	$76,000	$0
		10% based on annual MBO goals	$38,000	$0
			Total Opportunity: $304,000	**Total: $13,300**

	Portion of Annual Incentive Plan	Weighting of Performance Goals	Opportunity	Actual Payout
Mr. Beckett	Target award equivalent to 50% of base salary	40% based on financial performance goal	$110,000	$0
		10% based on annual MBO goals	$27,500	$27,500
	Stretch award equivalent to 20% of salary	15% based on financial performance goal	$41,250	$0
		5% based on annual MBO goals	$13,750	$0
			Total Opportunity: $192,500	**Total: $27,500**

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

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

Financial Performance Metric	Performance Goals		
	Threshold	Target	Stretch (Maximum)
Earnings per Diluted Share	$ 1.46	$ 1.62	$ 1.78

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

For 2017, the threshold level was not achieved on a GAAP basis, and no payouts were made for the portion of the annual incentive plan that was based on financial performance.

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

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

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

Financial Performance/Managing to Budget: Achieve financial performance reflecting revenue and profit margins consistent with the 2017 budget.
Achieving Academic Excellence: Achieve accreditation milestones and deliverables for both APUS and HCN.
Driving Long-Term Growth and Value: Achieve levels of starts and new students consistent with budgeted amounts. Provide deliverables with respect to a competitive pricing model for APUS and HCN, as well as a non-organic growth strategy for APEI. Achieve the opening of a new campus for HCN and hire a permanent CEO.
Driving Organizational and Operational Excellence: Complete the ongoing realignment of APUS, hire additional leaders for the organization, execute on a Board-approved Information Technology strategic plan, and monitor and take appropriate with respect to the Risk Management Plan and ensure robust controls.
Company Values: Foster a culture and practice of innovation, quality and respect, and take concrete actions, including rolling out a new Code of Conduct to all employees.

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

Financial Performance/Managing to Budget (20% weighting): Achieve financial performance reflecting revenue and profit margins consistent with the 2017 budget.
Organizational Realignment (30% weighting): Produce finance related deliverables related to the proposed reorganization of APUS and implementation of a shared services model.